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1 July 1983

USSR Report

INTERNATIONAL ECONOMIC RELATIONS

No. 58



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1 July 1983

USSR REPORT INTERNATIONAL ECONOMIC RELATIONS

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USSR WORLD TRADE

SOVIET FOREIGN TRADE FOR 1982 DETAILED

Moscow FOREIGN TRADE in English No 5, May 83 pp 5-16

[Article by Vasili Klochek, member of Board, head of the Main Planning and Economic Department, Ministry of Foreign Trade of the USSR, Honoured Economist of the RSFSR]

[Text]

The development of the Soviet economy and the growth of foreign trade, one of its important sectors, have an economic interconnection. The dynamics and structure of foreign trade reflects the Party's economic strategy at each stage of socialist construction, as well as the specifics of the country's development, the changes in its economy, the development level of its economic, scientific and technical potential, utilization of natural resources, and many other important factors. In no less measure it denotes the changes in the way of life and living standard of the Soviet people, modifying their material and cultural requirements.

Foreign trade is also a sensitive barometer of international economic problems and the international situation as a whole and our own internal problems for whose successful solution the Soviet state has, from the very first years of its existence, actively used the advantages of the international division of labour.

The existing principles and organizational forms of Soviet foreign trade enable each Soviet republic and each economic area of the country to join directly in the international division of labour, make their contribution to the growth of the country's exports and utilize the imported resources distributable on the basis of national economic plans.

While working out the theoretical foundations of the Soviet multinational state, Lenin substantiated the principle of conducting the centralized management of Soviet foreign trade "on the basis of the state monopoly".

The governing of external economic ties by the higher organs of state power makes it possible to pool the efforts of all constituent republics and their material and labour resources to achieve an ever more effective use of the foreign market when solving major economic problems facing each republic and the country as a whole.

The Soviet state spares no effort to improve the forms, methods and organization of its external economic activity with the aim of providing conditions for the Union republics and local economic bodies to participate in the country's external economic relations more actively.

In 1982, the year of the 60th anniversary of the Union of Soviet Socialist Republics, our multinational Soviet state utilizing the advantages of the socialist system, made another important step along the way of further developing social production and the economy as a whole. Compared with 1981 the national income increased by 12,000 million rubles and topped 500,000 million rubles. Industrial output rose by 2.8 per cent, its assortment widened and quality improved. New machinery and technologies were used in our economy on a considerable scale.

Relatively higher rates of growth were achieved in industries on which technological progress and the development of the economy depend, such as the power engineering industry, chemical and oil machinery manufacture, machine tool construction, mechanical engineering for livestock farming and fodder production, electric engineering and the instrument-making, means of automation and control systems, industry, the gas industry and several others.

There was an appreciable increase in the output of industrial robots, radio-electronic apparatus, oil- and gas-extracting equipment, gas-pumping installations for main gas pipelines, pipe-layers, programme-controlled metal-cutting machine tools. Machines and equipment with higher technical and economic parameters were manufactured at outstripping rates.

Our agriculture increased the output of grain, sugar-beet, potatoes and other produce. Labour productivity on state and collective farms rose six per cent.

In 1982 work continued on the implementation of an extensive programme of capital construction. Large industrial enterprises were put into operation. Many factories and mines modernized. Over 9,000 km of main gas

pipelines were put into service. The Urengoi-Pomary-Uzhgorod export gas pipeline had its speed of building rapidly increased.

The new successes achieved in our economic development in the second year of the current five-year plan were based above all on correct utilization of the country's highly developed economic, scientific and technical potential.

Our foreign trade organizations certainly contributed to these successes.

The development of the Soviet economy has made it possible to consistently sell abroad ever larger volumes of the material values produced in the country. Compared with 1981 the USSR's foreign trade turnover rose 8.9 per cent to reach 119,500 million rubles.

In 1982 the Soviet Union traded with 143 countries. Trade and economic relations with 116 of them were based on intergovernmental trade, economic and industrial cooperation agreements.

The Soviet Union's Foreign Trade Turnover

('000 million rubles)

	1981	1982
Total		
turnover	109.7	119.5
exports	57.1	63.1
imports	52.6	56.4
Socialist countries		
turnover	57.9	64.9
exports	31.2	34.1
imports	26.7	30.8
including:		
CMEA member-states		
turnover	52.2	58.7
exports	28.6	31.1
imports	23.6	27.6
Industrial capitalist countries		
turnover	35.3	37.7
exports	17.2	18.8
imports	18.1	18.9
Developing nations		
turnover	16.5	16.9
exports	8.7	10.2
imports	7.8	6.7

The highest rates of growth were in our trade with the socialist countries which hold a leading place in the USSR's external economic ties. Against 1981 our trade with the socialist countries rose to 64,900 million rubles, an increase of 12.1 per cent.

The share of the socialist countries in the USSR's total turnover went up from 52.8 per cent in 1981 to 54.3 per cent last year.

The dynamics and structure of our trade with the socialist countries are planned through agreements on trade, on cooperation between the CMEA members in the joint construction of enterprises in the USSR, on technical assistance to socialist countries in building projects on their territories, on specialization and cooperation in manufacturing equipment and machinery.

The agreements signed with socialist countries in 1982 cover a wide range of trade and economic cooperation questions. With Bulgaria, for instance, we signed an agreement on cooperation in logging and producing technological chips on Soviet territory; with the GDR—an agreement on cooperation in constructing main gas pipelines in the USSR; with Czechoslovakia—an agreement on the transit of Soviet natural gas through its territory to the West European countries.

The USSR's Trade with Socialist Countries

(million rubles)

	1981	1982
CMEA member-countries	52,185.3	58,702.3
Bulgaria	8,071.4	9,172.7
Cuba	4,807.0	5,840.5
Czechoslovakia	8,487.1	9,779.4
GDR	10,680.7	12,195.8
Hungary	6,607.1	7,453.6
Poland	8,152.1	8,909.9
Romania	3,452.2	3,107.0
Vietnam	891.8	1,010.7
Mongolia	1,035.9	1,232.7
Other socialist countries	5,748.6	6,231.1
China	176.8	223.5
Korean People's Democratic Republic	529.2	681.0
Laos	37.1	66.2
Yugoslavia	5,005.5	5,279.0

The greatest progress is in our trade and economic cooperation with the CMEA members. In 1982 with this group of countries it increased by 12.5 per cent to 58,700 million rubles. Their share in the Soviet Union's trade turnover rose from 47.6 per cent in 1981 to 49.1 per cent in 1982.

The development of our trade with the CMEA member-countries is more and more determined by the further deepening of socialist economic integration and expansion of mutual industrial, scientific and technical cooperation. In 1982 planned steps were taken to implement the Comprehensive Programme, the long-term specific programmes of cooperation and the programmes of production specialization and cooperation, which are founded on principles of socialist internationalism and mutual advantage.

An important element of the fraternal countries' economic strategy today is the concentration of their efforts to achieve greater progress in the main scientific and technological sectors and utilize all scientific and technical reserves for producing energy-, material- and labour-saving machinery and automation and mechanization facilities on the basis of the latest advances made in electrical engineering and electronics. Last year in this context special attention was devoted to the development and organization of specialized production of progressive systems of machines and equipment of great importance for the intensification of the CMEA countries' economies. At the 36th CMEA session in Budapest last June, for instance, a general agreement was signed on multilateral cooperation in developing and organizing specialized and cooperative production of industrial robots.

Implementation of this agreement will make it possible, on the basis of the international socialist division of labour, to more fully satisfy the needs of the various sectors of the CMEA members' economies for programme-controlled automatic manipulators and their unified modules, units and parts, thus introducing complex mechanization and automation of production processes to industry and agriculture and many types of work in the sphere of management for eliminating hard and monotonous manual labour and saving raw and other materials and energy.

Much attention is now being devoted to questions of more fully supplying the population with quality industrial goods and foodstuffs.

Solution of the food problem presupposes, along with the development of sectors comprising the national agro-industrial complex, a greater use of all the possibilities and advantages of the CMEA countries' specialization, cooperation and integration in the agro-industrial sphere. Our cooperation with the CMEA member-countries in this field of endeavour is based on long-term specific programmes; twenty agreements concerning agriculture have already been signed, and in the area of the food industry more than ten multilateral agreements on economic, scientific and technical cooperation.

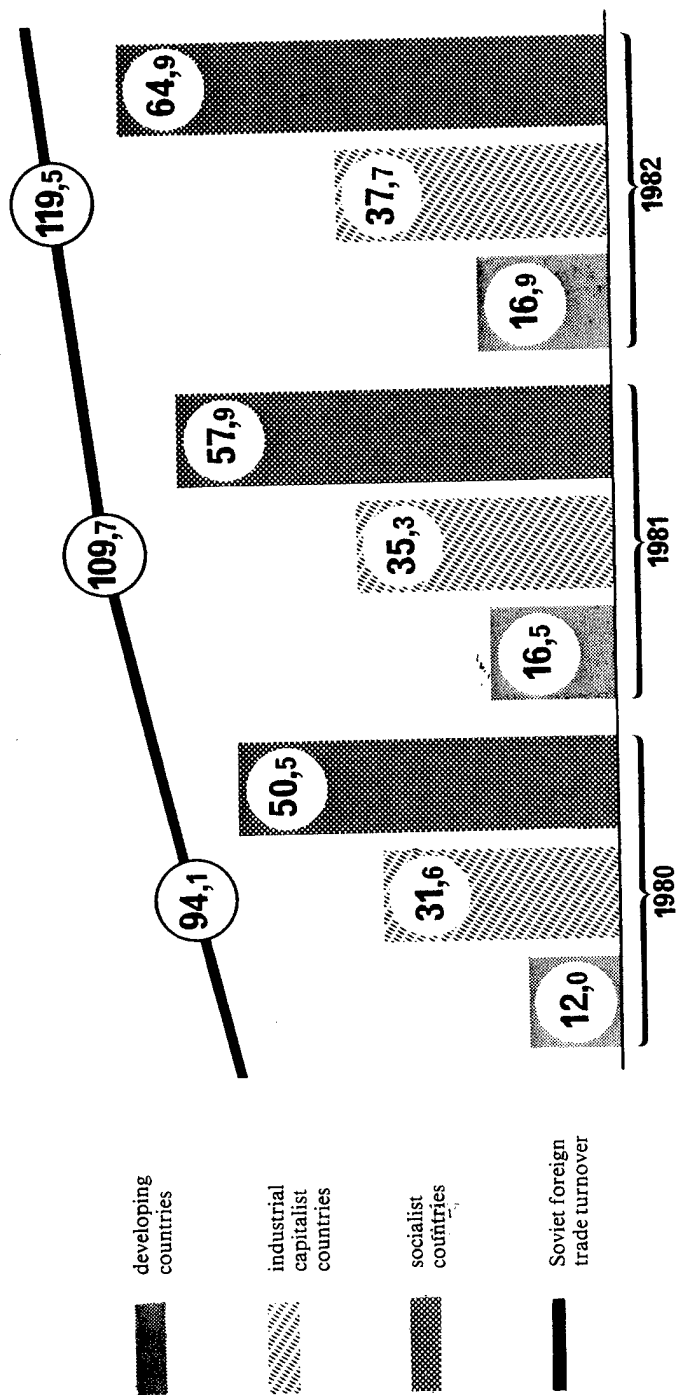
The Soviet Union actively cooperates in solving, on a multilateral basis, such important problems as improvement of the fuel-energy structure and the strengthening of the socialist community's energy base by creating additional sources of power supply. In the CMEA countries atomic power plants with a total capacity of some 4.5 million kW have been put into service with the assistance of Soviet organizations. In 1982 the USSR took part in the construction and shipment of equipment to the Paks atomic power station in Hungary and the Bohunice and Dukovany atomic power plants in Czechoslovakia.

By way of partner participation in cooperation with Romanian organizations construction of the South-Ukrainian atomic power station which will begin to supply power for Romania in 1985 has started. Romania participates in the construction in the form of the advance shipments of pipes, tipping cars for grain transportation and some other goods to the USSR.

The construction of the Khmel'nitsky atomic power station (USSR) continued; in 1984 it will begin delivering electricity to Hungary, Poland and Czechoslovakia. These countries are participating in the construction of the station with deliveries of machines, equipment, metal structures, and other goods to the Soviet Union.

Those CMEA member-countries interested in particular raw materials are investing in the development of the USSR's extractive industry, in particular, in the construction of projects for obtaining ferriferous raw materials. In 1982 Romania, Czechoslovakia and the GDR supplied machines, equipment and other goods for these projects, and the USSR reciprocated with the export of ferriferous material to them.

The USSR's Foreign Trade ('000 mln rubles)



Favouring equal and mutually advantageous economic relations with the capitalist countries, the Soviet Union is building up these relations with due regard for the objective process of deepening the international division of labour and accelerating scientific and technological progress, which heighten the interest in trade and economic cooperation of countries with different social and economic systems.

In the recent period, however, our relations with the capitalist countries have been faced with quite a few difficulties. The attempts at a trade and credit embargo on the part of certain Western powers still continue, various discriminatory restrictions are being introduced in their trade with the socialist countries.

In these conditions the Soviet state does justice to the constructive approach of many Western countries and business circles to international economic cooperation and favours the retention of stable contacts with those countries which show interest in expanding economic cooperation.

Compared with 1981 our trade with the industrial capitalist countries in 1982 increased by 6.7 per cent to 37,700 million rubles. In the 1970s the successes of détente were in many respects favourable to our trade and economic ties with this group of countries. In that period our trade with the Western countries in terms of growth rates outstripped the growth of the USSR's foreign trade as a whole. The share of this group of countries in our total foreign trade over the decade grew from 21 per cent to 32 per cent. The deterioration of the international climate that followed in the early 1980s and the intensification of crisis phenomena in the capitalist economy, although slowing down the development of our trade with these countries, did not minimize their significance. In 1982 their share in our foreign trade was equal to 31.7 per cent. Soviet exports to the industrial capitalist countries last year increased by 9.3 per cent to 18,800 million rubles, and our imports went up to 18,900 million rubles (4.3 per cent growth). The growth of our exports is due, in particular, to the expansion of oil and oil products as well as equipment and machinery shipments.

In 1982 the USSR's trade and economic relations with this group of countries proceeded under the growing aggressiveness of US imperialism. At the end of 1981 the US President, on the pretext of the events in Poland, announced measures intended to restrict US trade and

economic relations with the USSR. Resorting to direct pressure on its Western allies, the US administration tried to compel them to take part in these sanctions, restrict their trade, credit and other relations with our country, to cancel contracts signed previously, to disrupt their traditional mutually advantageous trade and economic cooperation with Soviet organizations.

Most Western governments, however, took a realistic attitude on this matter, refused to worsen their relations with the USSR and other socialist countries and remained independent as concerns their credit and trade relations with the USSR.

The governments of many Western countries naturally resented the USA's attempts to extend, in mid-1982, its embargo on the export of machines and equipment for the Soviet oil and gas industries, manufactured by the US subsidiaries abroad and by foreign firms using American licences, and in this way sabotage the gas-pipes project, the largest in the history of international economic relations.

In the unanimous statement put out by the foreign ministers of the EEC Ten this action of the American administration was qualified as violating international law. These sanctions were also condemned by Japan, Canada, Austria and Switzerland, while the French and British governments told their firms to ship to the USSR the equipment they had manufactured for the gas pipeline. The FRG and Italian governments also officially confirmed their opposition to the US discriminatory measures designed to foil the deliveries of equipment for the Urengoi-Pomary-Uzhgorod gas pipeline.

The refusal of the West European countries to recognize the ex-territorial operation of US export control compelled the American administration to lift in November 1982 its restrictions on the export of oil and gas equipment to the USSR.

The policy of applying economic sanctions against the Soviet Union has always failed. This time, too, it was ineffective in upsetting the normal course of building the gas pipeline. The manufacture of some types of equipment, previously purchased from American firms (high-capacity pipe-layers, gas-pumping and other equipment) was simply taken on by Soviet enterprises.

Last year, industrial firms in the FRG, France and some other West European countries and Soviet foreign trade organizations signed new large long-term contracts on the shipment of equipment for the gas pipeline project.

In 1982 Western firms, on the basis of the agreements signed, worked on the construction of large-scale projects in the fuel, metallurgical, chemical industries and other sectors of the Soviet economy. From the FRG, Sweden and several other Western countries we imported equipment for the Oskol electrometallurgical complex, from the FRG and France—equipment for the Sayany aluminium complex, from France—equipment for the Nikolayev alumina plant, from the FRG, France, Italy and Great Britain—equipment for large chemical works, from Japan—equipment and machinery for the concentrating plant of the South-Yakutian coal-mining complex.

The West European powers hold a notable place in our trade with the industrial capitalist countries. Compared with 1981, trade between the USSR and the West European countries in 1982 rose by 4.7 per cent to 29,700 million rubles. These countries last year accounted for 78.6 per cent of our trade with the industrial capitalist countries.

**The USSR's Trade with
Certain Industrial Capitalist Countries**
(million rubles)

	1981	1982
West European countries		
total	28,333.7	29,673.2
including:		
FRG	6,009.3	6,629.7
Finland	5,013.4	5,193.5
Italy	3,486.0	4,043.2
France	4,189.3	3,493.1
Netherlands	1,477.5	1,863.9
Belgium	1,196.4	1,604.5
Great Britain	1,503.6	1,565.1
Austria	1,361.0	1,209.8
Countries of other		
continents		
total	7,025.0	8,068.2
including:		
Japan	3,029.5	3,682.4
USA	1,845.4	2,226.4
Canada	1,426.4	1,398.8
Australia	549.3	523.2

More than 20 intergovernmental agreements on economic, industrial, scientific and technical cooperation provide the basis for the development of economic relations between the USSR and the West European countries.

The specificities of our business relations with the Western countries are laid down in long-term programmes of trade, economic, scientific and technical cooperation. The Soviet Union has promising ten-year cooperation programmes with France, Great Britain, Austria, Italy, Canada, Belgium, Sweden, Denmark, Switzerland, Norway, Ireland and Luxembourg. Our programme of cooperation with the FRG has been signed for 25 years, with Finland—up to 1995. Many of these documents envisage mutual trade high growth rates. With Finland, for instance, our trade will, according to the programme, amount to 18,000 to 20,000 million rubles in 1981-1985 as against the 12,800 million in the preceding five years.

Intergovernmental joint commissions play an important role in working out long-term programmes of trade, economic, industrial, scientific and technical cooperation between the USSR and industrial capitalist countries, in supervising their fulfilment, improving the trade structure and its organizational forms. At present about 20 such commissions are in being. In 1982 the Soviet-Greek Intergovernmental Commission on Economic and Industrial Cooperation held its first session and adopted recommendations concerning the elaboration of a draft long-term cooperation programme between the two countries in the economic, industrial, scientific and technical fields. The programme was signed by the parties in February 1983.

Compared with 1981, trade between the USSR and the FRG, its major trading partner in Western Europe, in 1982 rose by 10.3 per cent. Long-term agreements and contracts increasingly determine our trade with that country. Along with the big contract for the shipment of pipes for the Urengoi-Pomary-Uzhgorod gas pipeline, West German firms are participating in the implementation of projects in the Soviet iron-and-steel, chemical and other industries.

In 1982 we signed new contracts with West German firms, for instance, one for the shipment to the USSR of equipment for a works to manufacture polyester threads for technical purposes, and for the export of chemical goods to the FRG as payment for the equipment received.

From the FRG is purchased equipment for the manufacture of ethylene, other for extracting, collecting and transporting gas condensate, field drilling equipment and a tunnelling complex.

Industrial cooperation with West German firms is expanding. The number of agreements concerning this type of cooperation reached 19 last year. They cover production of various goods, from sports footwear to machine tool equipment fitted with special devices, electronic control systems and tools manufactured by the West German firms.

Good progress was achieved in the USSR's trade and economic cooperation with Finland. Compared with 1981, Soviet-Finnish trade in 1982 increased by 7.3 per cent.

Mutual shipments of equipment and machinery are increasing. We have, for instance, more than ten agreements on cooperation with Finnish firms. In 1982 three new agreements on production cooperation were signed, including the one on cooperation in freight car manufacture. Last year the shipments of cooperative products accounted for about 30 per cent of the total volume of Soviet plant and machinery exports to Finland.

Over 80 new cooperation projects have been elaborated with Finnish firms in the fields of ship-building, industrial robots, asphalt mixers, pumps, pulp-and-paper equipment, forestry machines, medical and other equipment.

Good progress is also being made in such a form of our cooperation with Finland as the construction of industrial projects in both countries. In 1982 the Druzhba (Friendship) hotel in Vyborg was opened, and the first stage of the Kostomuksha mining and ore-dressing complex put into operation.

The volume of trade between the USSR and Italy in 1982 rose by 16 per cent. Under their long-term contracts Italian firms last year shipped to the USSR equipment and materials for the construction of various industrial enterprises, such as the Volga-Don Atommash works, a factory to turn out industrial tractors in Cheboksary, for a gas pipeline, as well as equipment to produce disperse dyes, caustic soda, chlorine and other chemical goods. In 1982 a contract with an Italian and an Austrian firm was signed on cooperation in building in the USSR an iron and steel works to produce 0.5 million tons of merchant-mill products and wire a year.

Trade and economic cooperation continued with firms in France, Great Britain, the Benelux countries, and so on. Good results were achieved, for instance, in our trade with Belgium, which showed a 34.1 per cent increase, the Netherlands (26.2 per cent), Sweden (18.3 per cent), Switzerland (16.4 per cent), Luxembourg (a 2.2-fold increase).

Compared with 1981, trade with Japan in 1982 rose by 21.5 per cent. We continued cooperation with Japanese firms in developing the South-Yakutian coal basin, timber resources in the Soviet Far East and area adjoining the BAM railway, and in prospecting the Sakhalin shelf for oil and gas.

Japanese firms fulfilled Soviet orders for pipes, excavators, bulldozers, pipe-layers and various equipment for compressor stations of the Urengoi-Pomary-Uzhgorod gas pipeline and other industrial projects.

The possibilities of Soviet-Japanese trade and economic relations, however, were not used to the full because the Japanese government supported the policy of economic sanctions pursued by the American administration with regard to the USSR.

Japanese business circles, despite the restrictions imposed by their government, continued to be keen on business cooperation with the USSR; this was evidenced by the visit to the Soviet Union last February of the most representative in Japanese history delegation of businessmen, led by S. Nagano, President of the Japan Chamber of Commerce and Industry, Chairman of the Japanese-Soviet Committee on Economic Cooperation. In the course of the exchange of opinions the parties expressed their mutual intention to expand their trade and economic cooperation on an equal and mutually advantageous basis.

Trade between the USSR and the USA, despite the worsened relations between them, somewhat rose.

The seventh meeting of the US-USSR Trade and Economic Council, held in Moscow last November, after a four-year interval, was an important landmark in the development of Soviet-American business relations.

The participants in the sitting noted in their unanimous resolution that "in spite of the difficult state of relations between the two countries and some restrictions on the development of trade and commercial relations between the US and the USSR in certain areas, there is a possibility for the substantial expansion of mutual trade."

At the meeting it was recognized that a serious obstacle to trade between the two countries was the fact that Soviet organizations had lost confidence in the reliability of American partners fulfilling their commitments after the US administration had annulled licences for the export of goods to the USSR issued previously for the many contracts signed with American firms.

William Verity, the American co-chairman of the Council, was right in saying at the press-conference held after the meeting was over that the US firms might need years to reestablish on the Soviet market their positions lost after 1979.

The Soviet Union is still in favour of broader economic cooperation between the USSR and the USA on the basis of equality and mutual benefit. Experience shows that the existing situation in Soviet-American trade and economic relations is transient and that the need to normalize business cooperation between the two countries will in the long run push aside the artificial obstacles raised in its way.

* * *

Economic cooperation between the Soviet Union and the developing nations is based on complete and genuine equality, mutual advantage, respect for sovereignty, and non-interference in domestic affairs. The USSR's trade, economic, scientific and technical ties with these countries strengthen their economies and economic independence.

The volume of our trade with the developing countries in Asia, Africa and Latin America in 1982 rose 2.7 per cent to 16,900 million rubles.

Soviet exports to this group of countries increased by 17.4 per cent, but our imports from these countries declined by 13.8 per cent in the main due to reductions in grain purchases. The share of the developing nations in our foreign trade slightly fell from 15 per cent in 1981 to 14.1 per cent in 1982.

The Soviet Union is now trading with 101 developing states, business with 79 of them has its basis on trade agreements.

Long-term trade and economic cooperation with the

developing countries is currently being practised on an ever wider scale. Long-term trade agreements and programmes of trade and economic cooperation provide a stable basis for trade and add an element of planning to the trade relations, thus ensuring stable sales of goods from the developing countries to the USSR and a regular supply of requisite Soviet goods to these countries.

In 1982 Jamaica and Grenada joined the group of developing countries with which the Soviet Union has long-term trade agreements.

A Long-Term Programme of Economic and Technical Cooperation and Trade for 1981-1985 has been signed with Angola.

Early this year a protocol with Mozambique was signed on mutual shipments of goods for 1983-1985.

Moreover, with many developing countries protocols on various questions of trade were signed. These provide for the further expansion and deepening of trade and economic cooperation, improvement of mutual settlements and forms of trade. With Turkey, for instance, an agreement was reached about switching over in 1983 from clearing to settlements in hard currency, with Grenada—an agreement was reached on the setting up of a Soviet Trade Representation in that country.

Soviet exports to the developing countries basically consist of goods intended for production purposes, i.e. goods which they need to carry out their economic development programmes. Shipments of such goods are helping them overcome their backwardness due to the long period of colonial rule and develop their national industry and agriculture, as well as accelerate the utilization of their mineral, and energy resources.

Great importance in the total complex of our trade and economic relations with the developing countries is attached to economic and technical cooperation, i.e., to assisting them to build industrial enterprises and other projects. In 1982 Soviet organizations helped build and expand iron and steel works, power stations and other projects.

In payment for its goods and technical assistance the Soviet Union receives from these countries necessary products; they include finished articles and semi-manufactures. Soviet purchases are helping many developing countries to load their production capacities and expand their export base, especially today with the capitalist countries' economic recession.

Trade and economic relations between the USSR and India are showing good results. Their prospects and main directions for the coming 10-15 years are outlined in the Long-Term Programme for Economic, Trade, Scientific and Technical Cooperation. It gives greater possibilities for mutual cooperation in utilizing fuel and energy resources, technologies and equipment, and provides for a further considerable goods exchange growth.

**Trade Between the USSR and
Certain Developing Countries**

(million rubles)

	1981	1982
India	2,397.9	2,514.0
Libya	551.1	1,346.9
Argentina	2,402.9	1,292.9
Iraq	909.4	994.1
Iran	878.5	766.0
Afghanistan	655.8	691.0
Brazil	550.2	595.4
Egypt	511.3	520.7
Syria	530.0	511.6
Turkey	448.4	248.2

Mutual interest in diversified trade and economic ties between the two countries was unanimously shown during the official visit of Indira Gandhi, Prime Minister of India, to the USSR last September. The parties confirmed their desire to increase their mutual trade in the current five-year period from 50 to 100 per cent and maintain the present high growth rates up to 1990.

Trade with Jordan witnessed a substantial increase; in 1982 it more than quadrupled over 1981, with Libya 2.4 times, Malaysia 31.9 per cent, Ethiopia 25.1 per cent.

The Soviet Union is giving the developing countries all-round support on questions of international economic cooperation. At international forums in 1982 it was active in insisting on the liquidation of all forms of colonial and neo-colonial exploitation, it supported the developing countries' efforts aimed at restructuring international economic relations on a just and equal basis, at ensuring the sovereignty of all countries over their own natural resources, at eliminating artificial obstacles and discrimination in world trade, and at ending all manifestations of inequality and *diktat* in international economic relations.

Exports last year amounted to 63,100 million rubles, a 10.6 per cent increase over 1981, due to the growing sales of traditional goods such as oil, oil products, some metals, as well as products of the gas, engineering and some other industries whose development has been quite dynamic in recent years.

The socialist countries accounted for 54 per cent of all our exports last year. The figure for the industrial capitalist countries was 29.8 per cent, and for the developing nations—16.2 per cent.

The intensified development in the 1970s of large oil and gas deposits, predominantly in the eastern areas of the USSR accompanied by the construction of oil and gas pipelines, made it possible to appreciably expand, under a favourable market situation, the export of fuel to capitalist countries and also cover the extra needs of the socialist states. This explains the distinctive feature of the present pattern of Soviet exports—a large proportion of energy carriers. Oil, oil products, natural gas and electricity made up 52.3 per cent of our exports in 1982. Compared with the preceding year, the proportion of goods of the fuel-energy group in Soviet export somewhat increased. In our exports to the socialist countries this group of goods accounted for 48 per cent, but the figure for the industrial capitalist states was over 75 per cent.

The USSR's Export Structure

	<i>(per cent)</i>	
	1981	1982
Total	100	100
including:		
Machines, equipment,		
transportation facilities	13.7	12.9
Fuel and electricity	50.2	52.3
Ores and concentrates, met-		
als and articles thereof	8.0	7.4
Chemical products, ferti-		
lizers, rubber	3.5	3.1
Timber and pulp-and-paper		
articles	3.3	2.8
Industrial consumer goods	1.8	1.9
Textile raw materials and		
semi-finished products	2.0	1.8

As before, the bulk of these goods went to the socialist countries. The export of energy carriers to them rose 18.5 per cent relative to 1981. This increase is attributable to the CMEA countries' growing cooperation in developing their fuel-energy base.

There was an increase in the export of energy carriers under the compensation agreements with a number of capitalist countries.

The accelerated development of mechanical engineering in the USSR made it possible to widen the range and volume of sales of machines, equipment and transportation facilities. Over the past ten years the export of this group of goods, which is second in importance, has more than trebled. Nevertheless the share of machines, equipment and transportation facilities in Soviet exports in recent years has been decreasing due to the fuel and energy materials' exports growth and prices increase.

Compared with 1981, the export of machines, equipment and transportation facilities in terms of value rose by 4.1 per cent to 8,100 million rubles, but their share in our exports fell from 13.7 per cent in 1981 to 12.9 per cent in 1982.

The socialist countries, predominantly the CMEA members, are the main purchasers of Soviet equipment and machinery. In 1982 they accounted for 73.4 per cent of our exports of these goods; the figure for the developing nations was 22.6 per cent and that for the industrial capitalist states 4.0 per cent.

Products of nearly all major fields of Soviet mechanical engineering are on the country's export list. What is more, products of the automotive, aircraft and power industries, metallurgical machinery manufacturing, tractor and machine tool construction make up over half the total volume of Soviet equipment and machinery exports.

In 1982 there was a marked increase in our exports of bearings to the socialist and industrial capitalist countries. Sales of passenger cars to industrial capitalist states also increased. The developing nations in 1982 increased their purchases of Soviet metal-cutting machine tools, electric motors, metallurgical equipment, tractors and lorries.

Ores, concentrates, metals and articles made from them constitute the third group of Soviet export goods; in 1982 they accounted for 7.4 per cent of the country's export earnings. In the 1970s the export of these goods doubled, and in 1982 it rose by 1.2 per cent over the 1981 level.

Of this group of export goods the USSR increased its sales of pig iron and aluminium to the industrial capitalist countries, and rolled aluminium and some other metals to the socialist and capitalist countries. There was an increase in such shipments to the CMEA member-states in view of the expansion, with the joint efforts of the interested countries, of their capacities to produce items made from these materials.

Shipments of chemical goods, mainly supplied by enterprises built with the assistance of capitalist firms on a compensation basis were stable. The proportion of this group of goods in our exports, however, slightly declined in 1982 (to 3.1 per cent).

The export of timber and pulp-and-paper products evidenced a fall of 5.4 per cent compared with 1981, of these the export of round timber declined by 15.2 per cent and that of sawn timber by 7.1 per cent. However, pulp-and-paper product exports rose by 9.3 per cent, chiefly to the CMEA member-countries.

Compared with 1981, sales of textile raw materials and semifinished products rose by 2.1 per cent. Of this group of goods the increase was mainly in the export of cotton to the industrial capitalist and developing countries.

The export of industrial consumer merchandise continued to expand, and over the year it rose by 15.8 per cent. In 1982 we exported 548,600 domestic refrigerators, 21.7 million clocks and wrist watches, one million photo cameras, 955,600 bicycles, 1.2 million radio receivers, 612,000 TV sets.

Imports helped further develop the country's productive forces, improve the branch structure of social production and its technical equipment, and assist the switch-over to progressive forms of labour organization. Improving the Soviet people's welfare held an important place in the country's imports strategy.

In 1982 we imported 56,400 million rubles' worth of various goods, 7.2 per cent more than in the preceding year.

Imports increased chiefly due to purchases of machines, equipment and transportation facilities. The volume of these imports rose from 15,900 million rubles in 1981 up to 19,400 million rubles in 1982, a 22 per cent increase, the proportion of these goods in the country's total imports went up from 30.2 per cent to 34.4 per cent respectively.

The USSR's Import Structure

(per cent)

	1981	1982
Total	100	100
including:		
machines, equipment and transportation facilities	30.2	34.4
fuel and electric power	3.6	4.6
ores and concentrates, metals and articles thereof	10.0	9.9
chemical products, fertilizers, rubber	5.2	4.4
timber and pulp-and-paper products	1.8	1.5
textile raw materials and semi-finished products	1.7	1.6
food products and materials for their production	27.7	23.7
industrial consumer goods	12.9	12.7

The changes in the structure of our equipment and machinery imports mirror the nature of the economic tasks being fulfilled. In 1982 the import of equipment and materials was for modernizing the engineering and iron and steel industries and for developing the power industry and transport.

The import of equipment for metal-working production lines, for instance, went up 36.1 per cent. In all, we imported 1,455.7 million rubles' worth of metal-working equipment. The import of electrical engineering equipment rose 14.7 per cent to 634.8 million rubles, and lorries and garage equipment—23 per cent to 1,540.7 million rubles.

The import of lifting and conveying equipment for mechanizing auxiliary operations increased by 27 per cent to 1,130.4 million rubles.

The country imported large quantities of production equipment. Import of equipment for the iron and steel industry amounted to 758.4 million rubles, or 71.2 per cent more than in 1981, for the chemical industry—852.6 million rubles, for the textile industry—548.4 million, for the timber, pulp-and-paper and woodworking industries—222.0 million, for the printing industry—120.7 million rubles.

When purchasing machines and equipment the Soviet Union focuses its eyes on the socialist countries. Compared to 1981 our imports from these countries rose by 16.5 per cent amounting to 13,400 million rubles, and their proportion in the USSR's total equipment and machinery imports went up 68.9 per cent.

CMEA member-countries participated in building many enterprises and other projects in the USSR. They supplied equipment and materials for the Soyuz gas pipeline, the Khmel'nitsky and the South-Ukrainian atomic power stations, the Mozyr nutrient yeast factory and other projects. A production line for manufacturing sulphuric acid at the Yefremov chemical works, and another for making sand-lime bricks in the town of Chur (Udmurt ASSR) were commissioned last year on the basis of Polish equipment. New capacities were commissioned at the nitrogenous fertilizer factory in the town of Fergana with the use of equipment purchased from Czechoslovakia.

Last year we imported 5,900 million rubles' worth of equipment from the industrial capitalist countries, 35.1 per cent more than in 1981. Their share in Soviet equipment and machinery imports slightly increased to reach 30.3 per cent.

The chemical works in Mogilev, Tomsk and Dzerzhinsk fitted with equipment purchased from the Western countries went into service in 1982. The fourth and last stage of the Nikolayev mining and ore-dressing complex to produce alumina was commissioned. Also a mechanized line for welding, assembling and machining tractor frames in the town of Cheboksary went into service, and a plant preparing gas for transportation in the town of Ivano-Frankovsk. In 1982, Western countries supplied 17 gas-compressing stations for the Urengoi-Pomary-Uzhgorod gas pipeline.

Ores, concentrates, metals and articles made from them loom large in Soviet imports. Among these goods the import of pipes, mainly purchased from the capitalist countries, for the construction of gas pipelines, rose by 38 per cent. In all, 2,200 million rubles' worth of pipes were imported last year.

We made wide use of foreign trade to improve the supply of requisite raw materials to enterprises in the light and food industries and hence the population with consumer goods, foodstuffs included.

In 1982 the Soviet Union imported 6,200,000 tons of raw sugar, 938,900 tons of meat and meat products, 150,700 tons of butter and 865,600 tons of vegetable oil, 526.3 million eggs, 47,900 tons of coffee, 115,500 tons of cocoa-beans, 73,400 tons of tea, 1,158,300 tons of fresh fruit and berries, 174,000 tons of fresh vegetables, 124,100 tons of tobacco, 426.3 million metres of fabrics, 1,104 million rubles' worth of garments and 597.3 million rubles' worth of knitwear, 138.7 million pairs of various footwear, 577.6 million rubles' worth of furniture, and other consumer goods. Certain amount of grain was imported.

In the economic policy of the CPSU much attention is devoted to the development of the country's agro-industrial complex. Foreign trade makes considerable contribution to solve this problem. It is supplying additional machinery, raw and other materials to agriculture and the industries serving it, as well as the light and food industries and enterprises connected with the procurement, storage, transportation and processing of farm produce.

Replenishment of agriculture's basic production assets is another way in which foreign trade helps; this is seen in the import of farm machinery and equipment for special purposes: crop harvesting, grain cleaning, fitting out cattle and poultry farms, fodder preparation, and so on. In 1982 the USSR imported 888.9 million rubles' worth of farm machinery.

Last year we imported plant protecting chemicals to the value of 241.2 million rubles, 362,800 tons of mineral fertilizers and 126.9 million rubles' worth of seeds and planting stock.

For purposes of animal breeding we purchased abroad 8,000 head of pedigree live-stock and two million head of pedigree poultry, as well as large quantities of fodder grain.

The industries turning out capital goods for the agro-industrial complex received from abroad equipment to manufacture tractors and farm machinery, to produce mineral fertilizers and plant protecting chemicals to the amount of 58.2 million rubles.

Imported machinery and materials were also used to equip the industries processing agricultural raw materials. Thus, the food industry received 525.7 million rubles' worth and the fishing industry—255.6 million rubles' worth of imported equipment.

Now that Soviet society has entered the stage of developed socialism, intensification of the economy and a steep rise of production efficiency and the quality of work have become the main field for the Party and the people to exert their efforts. Foreign trade is called to actively assist the various aspects of economic, scientific and technical progress in the country, and derive additional benefits for the country from its participation in the international division of labour. These important functions of the country's external economic ties can only be effective if there is a scientifically-based approach to the planning of this important sector of the economy.

All-round development of the country's export potential—main source of currency to pay for imports, is a top-priority aim of the current five-year plan. Export earnings should further the development of the productive forces of the Soviet state to the maximum.

The scientific planning of foreign trade should be allied with continuous improvement of the economic mechanism at all stages of the country's foreign trade activity—from the manufacture of a commodity to its delivery to the foreign customer, and as far as imported goods are concerned—to the final stage of their operation or consumption. Persistent work in this direction will bring additional resources for raising the economic efficiency of the Soviet Union's external economic ties.

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USSR WORLD TRADE

FIRST QUARTER 1983 FOREIGN TRADE DATA

Moscow FOREIGN TRADE in English No 5, May 83 pp 16a-16d

[Text]

Soviet Foreign Trade by Groups of Countries

(mln rubles)

		January — March				January — March	
		1982	1983			1982	1983
TOTAL	Turnover	28517,5	31612,8	Industrial capitalist countries	Turnover	9431,9	9616,9
	Export	13956,4	15775,3		Export	4184,4	4200,2
	Import	14561,1	15837,5		Import	5247,5	5416,7
Socialist countries	Turnover	15485,0	17802,2	Developing countries	Turnover	3600,6	4193,7
	Export	7676,6	9127,5		Export	2095,4	2447,6
	Import	7808,4	8674,7		Import	1505,2	1746,1
including: CMEA member countries	Turnover	14010,0	16419,8				
	Export	7092,2	8428,0				
	Import	6917,8	7991,8				

Soviet Foreign Trade by Countries*

(mln rubles)

Countries		January — March		Countries		January — March	
		1982	1983			1982	1983
EUROPE:				Hungary	Turnover	1674,7	1851,3
Austria	Turnover	314,2	337,0		Export	838,0	952,0
	Export	195,5	148,9		Import	836,7	899,3
	Import	118,7	188,1				
Belgium	Turnover	478,7	381,7	German	Turnover	2865,8	3248,5
	Export	280,3	230,0	Democratic	Export	1358,7	1641,1
	Import	198,4	151,7	Republic	Import	1507,1	1607,4
Bulgaria	Turnover	2238,4	2683,5	Greece	Turnover	157,4	71,0
	Export	1104,6	1357,0		Export	120,9	36,1
	Import	1133,8	1326,5		Import	36,5	34,9
Great Britain	Turnover	388,2	434,9	Denmark	Turnover	123,7	87,0
	Export	219,4	227,2		Export	94,3	67,8
	Import	168,8	207,7		Import	29,4	19,2
				West Berlin	Turnover	100,4	36,5
					Export	80,7	11,5
					Import	19,7	25,0

* The countries are given in the Russian alphabetical order.

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Countries		January — March		Countries		January — March	
		1982	1983			1982	1983
Ireland	Turnover	6,9	32,9	Switzerland	Turnover	204,3	259,6
	Export	3,5	10,2		Export	86,7	139,4
	Import	3,4	22,7		Import	117,6	120,2
Iceland	Turnover	31,0	33,3	Sweden	Turnover	167,0	188,2
	Export	7,2	6,1		Export	65,7	116,2
	Import	23,8	27,2		Import	101,3	72,0
Spain	Turnover	91,5	152,0	Yugoslavia	Turnover	1245,0	1189,2
	Export	30,3	68,3		Export	444,2	584,4
	Import	61,2	83,7		Import	800,8	604,8
Italy	Turnover	881,0	1137,0	ASIA:			
	Export	588,8	745,2	Afghanistan	Turnover	201,7	146,7
	Import	292,2	391,8		Export	117,2	80,0
Liechtenstein	Turnover	1,9	7,8		Import	84,5	66,7
	Export	0,5	1,0	Bangladesh	Turnover	8,9	17,9
	Import	1,4	6,8		Export	2,8	7,7
Luxembourg	Turnover	0,6	5,1		Import	6,1	10,2
	Export	0,6	1,1	Burma	Turnover	0,1	0,7
	Import	0	4,0		Export	0,1	0,7
Netherlands	Turnover	459,2	506,9		Import	-	-
	Export	317,4	377,8	Vietnam	Turnover	215,1	330,0
	Import	141,8	129,1		Export	179,9	266,5
Norway	Turnover	26,5	27,9		Import	35,2	63,5
	Export	9,3	9,6	India	Turnover	498,3	637,3
	Import	17,2	18,3		Export	148,5	329,3
Poland	Turnover	2007,8	2444,6		Import	349,8	308,0
	Export	1114,8	1258,0	Indonesia	Turnover	14,8	12,1
	Import	893,0	1186,6		Export	7,2	8,3
Portugal	Turnover	17,4	24,7		Import	7,6	3,8
	Export	12,1	12,8	Jordan	Turnover	4,7	3,0
	Import	5,3	11,9		Export	4,7	3,0
Romania	Turnover	777,7	876,9		Import	-	-
	Export	346,0	433,4	Iraq	Turnover	420,1	54,0
	Import	431,7	443,5		Export	418,3	53,8
Federal Republic of Germany	Turnover	1644,1	1754,3		Import	1,8	0,2
	Export	920,2	839,0	Iran	Turnover	177,2	237,4
	Import	723,9	915,3		Export	168,3	111,7
Finland	Turnover	1130,9	1241,4		Import	8,9	125,7
	Export	459,0	460,4	Yemen Arab Republic	Turnover	6,2	26,9
	Import	671,9	781,0		Export	6,2	26,9
France	Turnover	818,9	922,6		Import	-	-
	Export	470,7	431,8	People's Democratic Republic of Yemen	Turnover	22,2	34,1
	Import	348,2	490,8		Export	21,5	33,5
Czechoslovakia	Turnover	2407,5	2762,0		Import	0,7	0,6
	Export	1160,7	1420,8				
	Import	1246,8	1341,2				

Countries		January — March		Countries		January — March	
		1982	1983			1982	1983
Kampuchea	Turnover	14,9	13,5	Philippines	Turnover	47,9	19,9
	Export	14,1	13,1		Export	0,2	0,7
	Import	0,8	0,4		Import	47,7	19,2
Cyprus	Turnover	4,6	3,5	Sri Lanka	Turnover	5,5	4,7
	Export	0,5	1,0		Export	1,0	0,7
	Import	4,1	2,5		Import	4,5	4,0
China	Turnover	42,2	39,6	Japan	Turnover	987,3	849,9
	Export	30,4	28,2		Export	186,8	195,5
	Import	11,8	11,4		Import	800,5	654,4
Korean	Turnover	170,2	135,8	AFRICA:			
People's Demo-	Export	92,5	69,4	Algeria	Turnover	43,4	40,8
cratic Republic	Import	77,7	66,4		Export	36,9	40,8
Kuwait	Turnover	0,7	0,8		Import	6,5	0
	Export	0,7	0,8	Angola	Turnover	32,6	7,1
	Import	-	-		Export	32,6	7,1
Laos	Turnover	17,6	17,8		Import	-	0
	Export	17,3	17,5	Ivory Coast	Turnover	40,0	18,6
	Import	0,3	0,3		Export	0,1	0,4
Lebanon	Turnover	8,3	6,0		Import	39,9	18,2
	Export	5,6	4,8	Ghana	Turnover	10,0	0,2
	Import	2,7	1,2		Export	0,1	0,2
Malaysia	Turnover	79,5	32,3		Import	9,9	-
	Export	3,7	3,9	Guinea	Turnover	10,9	12,2
	Import	75,8	28,4		Export	6,0	5,0
Mongolian	Turnover	295,8	320,8		Import	4,9	7,2
People's	Export	243,6	260,0	Egypt	Turnover	105,5	121,7
Republic	Import	52,2	60,8		Export	35,5	53,6
Nepal	Turnover	6,4	1,1		Import	70,0	68,1
	Export	5,9	0,6	Cameroun	Turnover	2,0	8,4
	Import	0,5	0,5		Export	0,4	0,8
Pakistan	Turnover	46,1	30,6		Import	1,6	7,6
	Export	23,4	16,4	People's	Turnover	5,4	1,5
	Import	22,7	14,2	Republic	Export	3,2	1,0
Saudi Arabia	Turnover	3,9	2,1	of the Congo	Import	2,2	0,5
	Export	3,9	2,1	Liberia	Turnover	0,9	0,8
	Import	-	-		Export	0,5	0,8
Singapore	Turnover	19,5	14,6		Import	0,4	0
	Export	4,8	7,5	Libya	Turnover	125,9	477,1
	Import	14,7	7,1		Export	43,9	83,3
Syria	Turnover	90,5	139,7		Import	82,0	393,8
	Export	24,3	55,1	Morocco	Turnover	38,9	26,1
	Import	66,2	84,6		Export	14,7	20,4
Thailand	Turnover	12,1	7,9		Import	24,2	5,7
	Export	2,6	2,2	Mozambique	Turnover	20,5	27,6
	Import	9,5	5,7		Export	14,5	27,6
Turkey	Turnover	66,5	40,9		Import	6,0	-
	Export	46,6	23,3				
	Import	19,9	17,6				

Countries		January — March		Countries		January — March	
		1982	1983			1982	1983
Nigeria	Turnover	59,6	122,1	Colombia	Turnover	4,2	3,0
	Export	55,2	99,7		Export	1,6	0,3
	Import	4,4	22,4		Import	2,6	2,7
Sudan	Turnover	0	0,1	Cuba	Turnover	1527,2	1902,2
	Export	0	0,1		Export	745,9	839,2
	Import	-	-		Import	781,3	1063,0
Sierra Leone	Turnover	5,0	0,2	Mexico	Turnover	10,6	1,2
	Export	1,2	0,2		Export	2,3	1,0
	Import	3,8	-		Import	8,3	0,2
Tanzania	Turnover	3,4	1,0	Nicaragua	Turnover	11,6	6,6
	Export	1,4	0,7		Export	10,6	4,2
	Import	2,0	0,3		Import	1,0	2,4
Tunisia	Turnover	2,6	1,5	Panama	Turnover	4,3	3,7
	Export	2,3	1,0		Export	4,3	3,7
	Import	0,3	0,5		Import	-	-
Ethiopia	Turnover	46,3	57,2	Peru	Turnover	2,8	5,0
	Export	40,8	52,4		Export	2,4	1,9
	Import	5,5	4,8		Import	0,4	3,1
AMERICAS:				United States of America	Turnover	1002,9	579,7
Argentina	Turnover	317,9	374,5		Export	23,4	54,1
	Export	7,5	7,3		Import	979,5	525,6
	Import	310,4	367,2	Uruguay	Turnover	36,7	28,2
Bolivia	Turnover	5,9	7,4		Export	0,3	0,2
	Export	0,5	0,1		Import	36,4	28,0
	Import	5,4	7,3	AUSTRALIA AND OCEANIA:			
Brazil	Turnover	162,9	96,9	Australia	Turnover	131,6	203,1
	Export	43,7	4,2		Export	1,8	1,0
	Import	119,2	92,7		Import	129,8	202,1
Canada	Turnover	155,8	247,6	New Zealand	Turnover	110,2	88,5
	Export	7,4	4,2		Export	1,6	0,5
	Import	148,4	243,4		Import	108,6	88,0

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ROLE OF FOREIGN ECONOMIC RELATIONS IN CEMA COUNTRIES' ECONOMIES

Moscow IZVESTIYA AKADEMII NAUK SSSR. SERIYA EKONOMICHESKAYA in Russian No 1, Jan-Feb 83 pp 85-94

[Article by G. N. Prokhorov: "The Role of Foreign Economic Relations in Providing for the Economic Interests of the Socialist Countries"]

[Text] The article contains an examination from the point of view of Marxist-Leninist theory of the basic directions and forms of providing for the economic interests of the countries of the socialist commonwealth in their reciprocal cooperation, and also in their economic relations with the developing and with the developed capitalist states. The role of foreign economic relations in solving the basic problems of the CEMA countries at the current stage is demonstrated.

At the current stage when the CPSU and the communist and workers' parties and peoples of the fraternal socialist countries are waging a struggle to accomplish the enormous tasks connected with an acceleration of scientific and technical progress, the shifting of the economy to an intensive path of development, and an improvement of the efficiency of social production and of the quality of all work--the bases for the further growth of the well-being of the masses,--a fuller use of the motive force for development which is in interests has become especially important. Their paramount role was pointed out by the founders of Marxist-Leninist theory. Thus, K. Marx believed that interests are the force by which the members of society are "coupled to one another," while F. Engels took note of the decisive role of interests in economic relations, saying that they serve as the basis for the unity of goals and actions [1]. Developing these propositions, V. I. Lenin regarded interests as a force which "is moved by the life of the peoples," makes people of labor kindred, and gives rise to the necessity for a close union between the workers of various countries and nations [2]. He emphasized the class character of interests.

In accordance with Marxist-Leninist theory, interests as a social category express the objective needs of society, its individual members, social groups, and classes and are determined by the existing method of production and, above all, by economic relations. They are the motives for all of the activities of people (groups, classes), and reflect their place in the system of social

production. In contrast to the antagonistic class interests under capitalism, socialism is characterized by the unity of the basic and decisive interests of society and its individual members. Under socialism the state is the expressor of the people's interests. National state interests are the totality of the social needs of the economy and of all of the strata of the population inter-coordinated into a single system.

In the USSR and the other countries of the socialist commonwealth society's basic economic interest consists above all in increasing social wealth, since it is this which is the most important real source and condition for raising the material and cultural levels of the people, improving its well-being, improving working and living conditions, and for the comprehensive development of the individual. At the current stage the satisfaction of this interest is achieved chiefly by means of an acceleration of scientific and technological progress, the shifting of the economy to an intensive path of development, an improvement of production efficiency and of the quality of work, a more efficient use of production capacities and resources, and also an expansion and improvement of the forms of foreign economic relations. The latter are an effective means which foster the accomplishment of both political and economic tasks, since in them "politics and economics, diplomacy and commerce, and industrial production and trade are interwoven into a single fabric" [3].

Nowadays the socialist countries' system of foreign economic relations represent a complex and dynamic branch which is in close and active interaction with the whole of their economies. Its expansion and deepening is exercising an intensively growing and increasingly many-sided influence not only on social production, but also on the accomplishment of many social tasks. With this quality foreign economic relations act as a subsystem in the complex of the most important means of realizing the social and individual interests of socialist society. A distinctive feature of the functioning of this subsystem consists in the fact that, while it does not directly create value, with the exception of its work to improve, preserve, and move export and import goods, it nevertheless greatly helps to increase national income and wealth, and exercises a stimulating influence on production, scientific and technological progress, and an improvement of the well-being of people on the basis of the use of the advantages of the international division of labor.

The realization of society's interests through the sphere of foreign economic relations takes place in many directions and in diverse forms. Among the basic directions, there should be singled out above all the ensuring of an influx from foreign sources of deficit means of production (machinery, equipment, raw materials, and material) and technology. For example, around 15 percent of all of its newly installed equipment is received in the USSR through imports [4], while in many other CEMA countries this proportion is even higher. In addition, it is also especially important that the machinery, equipment, and technology which is received through imports is usually on the level of the best world models and of modern achievements in the given branches of production. The importation and use of improved equipment and technology speeds up the creation of highly efficient enterprises and the mastery by production

of new types of output, and promotes a rise in its technical level and quality and an economy of expenditures of time and social labor. Thus, one of society's most important interests is to a considerable extent taken care of here: namely, its objective needs for the most rapid introduction into the economy of the latest achievements of the scientific and technological revolution.

The role of the influx through the channels of foreign economic relations of advanced equipment and technology is especially important at the initial stage of industrialization. Even in the USSR, which during the years of industrialization was in a capitalist encirclement, everything possible was done, despite the enormous difficulties, to use imports to supply a developing industry with the latest machinery and equipment. For the other socialist countries the accomplishment of this task was made substantially easier by the fact that they could base themselves on the assistance of the Soviet Union.

Rapid industrialization in these countries became possible thanks to the enormous flow of machinery and equipment and technology and production experience from the USSR. In two decades (by the beginning of 1971) Soviet economic and technical assistance in the socialist countries helped to build more than 100 electric power stations with a total capacity of 18 million kilowatts: they included such installations as the "Maritsa-Vostok I" and "Maritsa-Vostok-II" in Bulgaria, the "Deva" and "Chiscani-Braila" in Romania, and the first electric power stations in the GDR and the Czechoslovakian Socialist Republic [5]. Twenty-three ferrous metallurgy enterprises with a total annual steel smelting capacity of 15 million tons and an annual production of rolled goods of 17 million tons were built [5]. They include the Kremikov Combine in Bulgaria, the Danube Combine in Hungary, the Nova Huta in Poland, and combines in Galati (Romania) and in Koshitsa (Czechoslovakia).

The large role of USSR economic and technical assistance in the growth of the production and scientific and technical potential of the other countries of the socialist commonwealth continued in subsequent years. As of the beginning of 1982 the CEMA countries had built and commissioned with USSR assistance 1,593 industrial enterprises and other objects, and an additional 1,125 were at various stages of construction [7]. The enterprises which have been created in the CEMA countries with USSR assistance cover practically all of the branches of their economies. Their importance is especially great in such key branches as machine building, power engineering, ferrous metallurgy, and chemistry. Their capacities provide for the smelting of 15.8 million tons of steel a year, the production of 22.2 million tons of rolled goods, the refining of 34.3 million tons of petroleum, and the production of 136 billion kilowatt-hours of electric energy. The output volume of the enterprises built with USSR assistance exceeds the total production of the CEMA countries in the 1950s when the restoration of their economies was completed [6]. Thus, cooperation with the Soviet Union has made it possible for the CEMA countries to more than double their entire previous production level in the restoration of which deliveries of machinery, equipment, and materials from the USSR also played a considerable role.

In its turn, the Soviet Union also meets a substantial part of specific needs of its economy and population through cooperation with the CEMA countries. Thus, during the 10th Five-Year Plan deliveries from the CEMA countries provided for up to 40 percent of the replenishment of the maritime and river fleets, 35 percent of the replenishment of the passenger railroad car pool, and 12 percent of the bus pool [8].

Their reciprocal scientific and technical cooperation has become the most immediate factor in the acceleration of scientific and technological progress in the countries of the socialist commonwealth. During the first decade of the realization of the Overall Program (1971-1980) the scientific research and planning and designing organizations and higher educational institutions of the CEMA countries jointly developed more than 2,000 new designs for machinery, mechanisms, and instruments, improved around 1,400 production processes, and created more than 1,500 types of new materials, products, and medicines [9]. By 1980 the economic effect obtained by the CEMA countries from the use of the results of this scientific and technical cooperation had exceeded five billion rubles [6, p 8].

Raw materials and materials which are received through the channels of foreign economic relations have a very large role in providing for the normal reproduction process in the countries of the socialist commonwealth. Even the Soviet Union which possesses the fullest range of diverse natural resources imports a number of raw materials commodities both to supplement its own and also to cover what is not produced in the country. Thus, in 1981 the USSR imported more than 3.3 billion rubles worth of ferrous metals, including 1.6 billion rubles worth of piping, 1.4 billion rubles of chemical products, 482 million rubles of dyes, paint and varnish, and tanning materials, 126,000 tons of wool (washed), 22,000 tons of cotton, 61,000 tons of jute, and 218,000 tons of natural rubber [12].

The economies of the other CEMA countries are much more dependent upon raw materials imports. Thus, imports meet more than 90 percent of the needs of the European CEMA countries for petroleum and iron ore, and around one-third of their needs for natural gas. The basic source for these goods has been and continues to be the Soviet Union. During the past 5-year period (1976-1980) it supplied the fraternal countries with 370 million tons of petroleum and 46 million tons of petroleum products, 88 billion cubic meters of natural gas and 64 billion kilowatt-hours of electric energy, and many millions of tons of iron ore and other raw materials [13, 22]. Despite the increased difficulties which are connected with a deterioration of mining conditions, during the current 5-year plan deliveries to the CEMA countries of Soviet energy resources in terms of conventional fuel will increase by 20 percent compared to the previous 5-year plan [8].

The substantial and stable deliveries of Soviet petroleum and natural gas not only materially improved energy supplies in the CEMA countries, but also made it possible for them to create a powerful petroleum refining and chemical industry. Petrochemical combines have been built with USSR assistance in Burgas and Pleven (Bulgaria), in Sazkhalombatta (Hungary), in Schwelte (GDR), Plotska

(Poland), and in Bratislava (Czechoslovakia). Many of the products of modern chemistry are produced by the CEMA countries on the basis of cooperation, which accelerates the organization of the productions, especially plastic and dyes, improves output quality, and yields an economy of expenditures.

Foreign economic relations also have a considerable role in improving supplies of industrial and food commodities for the populations of the socialist countries. In 1981, for example, the USSR imported more than 4.8 billion rubles worth of grain, 41,000 tons of natural coffee, 121,000 tons of cocoa beans, 84,000 tons of tea, 980,000 tons of meat and meat products, 335,000 tons of oranges, 301 million meters of cotton textile and other cotton-containing fabrics, more than 2 billion rubles worth of clothing, 1 billion rubles worth of footwear, and 517 million rubles worth of furniture [12, pp 41-44]. Imports from the CEMA countries form around 15 percent of USSR retail trade funds for such commodities as furniture, footwear, ready-made clothing, and tanned goods [18]. Industrial and food commodities are received both from the socialist and from the developed capitalist and developing states. The connection between the influx of additional resources of these commodities with providing for economic interests manifests itself to a considerable extent in the fact that they help to create more favorable conditions for the reproduction of labor power--society's basic productive force,--and to increase the balance between resources and the satisfaction of social needs (supply and demand).

The exportation of goods and services (technical, production, and transport) is another direction of the realization of economic interests in the sphere of foreign relations. In addition, exports serve as the basic means not only for obtaining currency with which to pay for the imports needed by the economy and the population, but also for expanding the market for industrial and agricultural output which is produced in excess of society's needs, and for the realization of the surplus value which is created in branches and productions with the most favorable conditions in which national expenditures are lower than the international price of production which is the basis for world prices. It is exports above all which contain an active principle of the efficient use of the advantages and benefits of the international division of labor, and of increasing the effectiveness of foreign economic relations.

Basically, the effectiveness of foreign economic relations is set in the process of production and depends chiefly upon the level of labor productivity and material expenditures in the production of goods, both those which are imported and those which are exported. For this reason an increase in labor productivity and a decrease in material expenditures in the production of these goods has been and continues to be a most important reserve for increasing the effectiveness of foreign economic relations. This, of course, does not diminish the great role of a further improvement of the very mechanism of foreign economic relations, and of the introduction of more efficient forms and methods for them. At the current stage an ever-increasing importance is being acquired by the development of various types of production cooperation and multilateral cooperation, and also by an improvement of the quality of the labor of the workers of all of the elements of the foreign economic sphere.

Economic interests, as is known, are a unity of their quantitative and qualitative components with, moreover, increasing attention now being given precisely to the latter. From this point of view, especial note should be taken of the positive influence of foreign economic relations on the quality of the output of national production. It takes place both in the organization of export production and on the basis of imports. Export commodities which are in demand on the world market quite rightly become a recognized standard of proper quality which meets the best foreign models. A further expansion of production on the level of export standards serves to increase the proportion of high quality output in total production. Imports exercise an active influence on the quality of output of national production not only through modern machinery, equipment, and technologies, which was noted above, but also thanks to the receipt of consumer goods whose quality, as a rule, can serve as an orientation point in defining demands upon national output.

Through exchange on the world market the economies of the socialist countries receive information on the level of international expenditures for the production of individual types of output and on the relationship to it of national expenditures. International expenditures become to a certain extent the criterion for evaluating the efficiency of a production structure from the point of view of economizing time. A consideration of this factor is becoming increasingly important for the formation of the kind of production structure which will ensure the best satisfaction of society's needs with a given amount of capital investments and other resources, and which will produce the greatest effect from participation in the international division of labor and in international cooperation. "A considerable reserve for increasing the efficiency of our economy," L. I. Brezhnev observed at the November (1981) Plenum of the CPSU Central Committee, "is to be found in a measured and well-thought-out development of foreign economic relations and, in the first place, a deepening of cooperation with the socialist countries. Such cooperation is a sector of paramount economic and political importance" [14].

Their reciprocal cooperation and the deepening of socialist economic integration have a paramount place in the realization of the economic interests of the socialist commonwealth countries through the sphere of foreign economic relations. In 1981 their reciprocal exchange accounted for 54.7 percent of the foreign trade turnover of these countries which had reached 245.3 billion rubles [15]. In 1980 the CEMA countries used reciprocal deliveries to meet 68 percent of their import needs for machinery and equipment, 70 percent--for petroleum, 75 percent--petroleum products, 95 percent--hard coal, 71 percent--iron ore, and 61 percent--consumer goods [10].

"The socialist commonwealth," it is noted in the Decree of the CPSU Central Committee "On the 60th Anniversary of the Formation of the Union of Soviet Socialist Republics," "personifies a new socialist type of international relations between sovereign and equal states which are united by their common interests and goals and by Marxist-Leninist ideology, and bound together by ties of comradely solidarity, mutual assistance, and comprehensive cooperation" [16].

Within the framework of the socialist commonwealth for the first time in history a combination of the common and national-state interests of sovereign countries became possible and has been realized in fact. The common nature of their interests manifests itself above all in the form of an objective need to provide for the dynamic growth and strengthen the might of the world socialist system, to ensure its scientific and technological progress, establish its superiority over the capitalist system in creating the best living conditions for all of the members of society, and strengthen its defense in the face of the aggressive policies of imperialism.

The sources of this community of interests are set in their same type of economic foundation--public ownership of the means of production,--in their state system which is of the same type--the power of the people led by the working class,--and in their uniform ideology--Marxism-Leninism [17]. These economic, social, and ideological preconditions do not, however, operate automatically, and do not produce the necessary results by themselves. The satisfaction of the socialist countries' interests in the sphere of foreign economic relations occurs through the well-directed policies of the communist and workers' parties of these countries, the planned work of governments, and state and economic agencies, organizations, and enterprises, and through the labor of the broad strata of the population which in one or another form and degree are connected with the foreign economic activities of the state.

The common nature of the fundamental interests of the socialist countries which follows from the very nature of their social system does not fully exclude a lack of coincidence between national-state interests and contradictions between them with regard to concrete issues. They are possible and they arise in the practice of relations as a consequence of real differences in the economic development levels of the individual countries, in the degree to which they are supplied with natural and other resources, the conditions of social reproduction, and also as a result of dissimilar approaches to solving the problems of economic and social development and different evaluations of the relationships between national-state and common interests.

Elements of a lack of coincidence between national-state interests manifest themselves, in particular, in the attitude of individual countries of the socialist commonwealth toward integration measures within the CEMA, in the degree of their participation in international production specialization and cooperation, in the establishment of prices for mutual delivery goods, and in the fulfillment of commitments accepted on the basis of agreements. The non-coincidence of interests and the contradictions in concrete matters of relations, as experience confirms, do not come from the production relations which form the economic base, and do not have an antagonistic character. For this reason, the weakening of their negative influence and overcoming them usually takes place through joint or coordinated efforts to eliminate the reasons which give rise to such phenomena, and, above all, by means of the gradual equalization of development levels, an improvement and deepening of cooperation, and the coordination of plans and economic policy.

Experience indicates that the non-coincidence of national-state interests and the contradictions in individual aspects of the relations between the socialist countries are better overcome when the controversial issues which arise in connection with this are examined and decided upon on the basis of the principles of socialist internationalism and comradely solidarity, when the national-state interests of an individual country are not placed higher than the common interests of the commonwealth as a whole, when an endeavour is shown to rationally combine them, and when a country does not provide for its own national-state interests at the cost of other countries and to the detriment of the common interests of the socialist commonwealth of world socialism.

Their everyday experience convinces the peoples of the countries of the socialist commonwealth that the course aimed at the development and deepening of cooperation which has been developed and is being consistently carried out by the fraternal communist and workers' parties of these countries, and which for more than ten years now has been realized through socialist economic integration accords with their vital interests and serves in practice to satisfy their aggregate social and their personal needs. Practical work in this direction has provided quite a few confirmations of the fact that through reciprocal cooperation, especially at the stage of economic integration, the socialist countries have achieved important results in the solution of such fundamental problems as an acceleration of the development of the productive forces and of scientific and technological progress, a rise in the productivity of social labor and of production efficiency, fuller supplies for the economy of fuel, raw materials and materials, and for the population of the goods needed by it, and in the equalization of the economic development levels of the individual countries of the commonwealth.

During the more than 30 years of the existence of the CEMA a definite system of realizing the economic interests of the member countries of this cooperative organization has taken shape and has been steadily perfected. Of the most important ways and means, let us take note of the coordination of the economic policies of the countries which is carried out on the highest party and government level; the coordination of long-term plans which has been in effect since 1956; an extensive exchange of goods and services, especially with respect to technical assistance; international production specialization and cooperation; the development and execution of multilateral and bilateral long-term programs for the solution of economic problems; and joint work in the field of production, particularly of fuel and raw materials commodities, transportation, and science and engineering.

If the coordination of economic policy and of plans creates the preconditions for increasing the efficiency of production and of cooperation, with the development of international production specialization and cooperation the accomplishment of this task moves directly to a practical plane. Under cooperation there arises an additional social productive labor force which provides an economy of expenditures of time and resources, and an increase in national wealth as a whole and in that part of it which goes to satisfy social and individual needs. One of the sources for additional efficiency with specialization and cooperation is the redistribution of the products list of the products which

are produced, with the result that the production program of each of the co-operation participants is narrowed to the minimum for products lists, and large-scale production comes as close as possible to the optimal level. Thus, for example, the redistribution of industrial rigging type sizes and structures among the "Tyazhpromarmatura" Plant in Penza (USSR) and the rigging plant in Magdeburg (GDR) made it possible to increase labor productivity at many sectors by two-three times, and even by ten times at the plasma casting sector [18]. Impressive results from international production specialization and cooperation have been obtained from organizing the production of equipment for atomic electric power stations at the plants of the USSR, Czechoslovakia, and other countries.

On the basis of cooperation and through the joint efforts of the interested countries of the commonwealth large-scale projects have been carried out in a relatively brief period of time: for example, the "Soyuz" Gas Pipeline from Orenburg to the western border of the USSR, the Kiyembayev Asbestos Combine, the Ust'-Ilimsk Cellulose Plant (first stage), new capacities for the production of iron-containing raw materials and ferro-alloys, the Novovolinsk Electrical Engineering Industry Equipment Plant, a large-capacity electric transmission line, and others [19]. All of this has given the CEMA countries a substantial increase in their resources and has provided them with a considerable economic effect.

The international cooperation of the socialist commonwealth countries makes it possible to overcome those limitations regarding an optimal concentration of production which take place within the national frameworks of the individual countries. "A result of the process of international production cooperation," Yu. S. Shirayev notes, "is the development of international production systems of various levels and various types" [20]. This reflects and, at the same time, promotes a progressive unification of science and production, and the deepening of the interaction between the branches and productions of all of the participant countries in cooperation relations.

However, as experience shows, the best results in the development of cooperation are achieved only when measures and coordinated and joint actions respond not only to the common and national interests of states, but also to the interests of all of the participants in the cooperation relations on various levels. It follows from this that the economic interests of the direct executors, or labor collectives, enterprises, and organizations, should become in practice a constantly acting stimulus for the organization of a stable international production cooperation and cooperation and scientific and technical work which to an ever-greater extent becomes a means for increasing the social productivity of labor and for economizing time, which, in K. Marx's definition, is the first economic law based on collective production [1, Vol. 46, Part I, p. 113].

While consistently following a course aimed at deepening the reciprocal cooperation, the socialist commonwealth countries are not weakening their efforts to activate their participation also in the world division of labor and in world economic relations. They are devoting especial attention to an expansion of equal cooperation with the developing states. The grain, meat, tea, coffee,

cocoa beans, fruit, and other foods which come from these countries add significantly to the food resources of the USSR and of a number of other CEMA countries, and make it possible to more fully meet the needs of their populations. Imported fuel and raw materials goods are also of considerable importance. In their turn, the increasing deliveries from the commonwealth countries to the developing countries of machinery, equipment, and other goods provide important assistance for the economic development of the latter. In addition, this cooperation is dictated not only by the need to provide on a mutually advantageous basis for the economic interests of these two groups of countries, but also by the common interests of their peoples with regard to the fundamental issues of the present day. Their interests coincide above all in preserving the peace and life itself on earth, opposing imperialism's aggressive policies, eliminating the exploitation of certain countries by others, placing the achievements of the scientific and technological revolution at the service of the broad masses, reorganizing international economic relations on a just and democratic basis, and carrying out the kinds of social transformations which will lead everywhere to the creation of conditions of life which are worthy of man.

The consistent policy of the socialist commonwealth countries of developing relations of friendship and many-sided cooperation with recently liberated and other developing states has been confirmed in the decisions of the recent congresses of the CPSU, in a number of decisions of Sessions of the Council for Mutual Economic Assistance, and in official statements of the CEMA member countries at international forums (UNCTAD, UNIDO and others). The practical realization of this policy finds its expression in many hundreds of trade and economic and technical cooperation agreements with the developing countries.

Expressing their solidarity with the peoples of the liberated countries in practice and fulfilling their international duty to them, the countries of the socialist commonwealth are providing them with increasing economic and technical assistance in overcoming their backwardness, and in the creation of a modern industry and the modernization of other branches of the economy. Thus, during the years 1971-1980 CEMA trade with the developing states increased by 5.2 times and, in the last year of the decade, reached almost 26 billion rubles [11]. With CEMA assistance 3,294 enterprises and other objects have been built in the developing countries, and more than 1,600 additional ones are in the process of construction [18, p 19]. This assistance is also of great importance in the sense that it has become an effective means of the development and strengthening of the state sector in the economies of the developing countries, strengthening their positions in the struggle against foreign monopoly capital and imperialism's aggressive policies. The progress of the liberated states in the economic and socio-political fields has a wide international significance and accords also with the fundamental interests of the peoples of the socialist countries, including their immediate economic interests. Thus, for example, in payment for their assistance the socialist countries receive very important goods which are necessary for their economies, including the output of enterprises created with their participation. During 1976-1980 the USSR, for example, received 17.5 billion rubles worth of such output from the developing countries, including more than 41 billion cubic meters of natural

gas, 23.4 million tons of petroleum, 11.6 million tons of bauxites, around 1 million tons of aluminum, 167,000 tons of copper concentrate, more than 2.6 million tons of calcinated soda, and more than 2.5 million tons of iron and ferrous rolled goods [18, No. 20, p. 2].

Their economic relations with the developed capitalist states also accord with the interests of the peoples of the socialist countries. Despite the opposition of the opponents of socialism and of equal international cooperation, these relations continue to develop. Objective economic needs and the needs of life, and the advantages of the international division of labor prove to be, as V. I. Lenin foresaw, stronger than political prejudice and class hatred. The basic interests which determine the endeavours of the socialist countries to set up economic relations with the developed capitalist states have been and remain the use of the benefits and advantages of the international division of labor. These relations contribute in the socialist countries to an acceleration of the introduction into production of improved equipment and technologies and to the organization of the production of new output; to obtain certain types of raw materials and materials which are lacking; to expand the market for a number of their own commodities; and to raise the technical level and quality of output on the basis of production cooperation and scientific and technical exchange, and also to shorten the time needed to solve a number of important scientific and technical problems. The capitalist countries also receive economic benefits from this cooperation which are no less important.

The mutual benefit from economic relations between these two groups of countries has been widely recognized and there is hardly any need for additional proof. It is most obvious with the organization of production and scientific and technical cooperation and with cooperation on a compensation basis. The effect of the latter manifests itself not only in an acceleration of the creation of modern large-scale productions, but also in a more rapid economic development of mineral deposits, and in increasing export resources. The development of gas deposits in the area of Orenburg with the participation of Western companies and of forest resources and hard coal deposits in the Soviet Far East with the participation of Japanese countries may serve as examples of this. The construction of the export Urengoy-Western Border export gas pipeline in the area of Uzhgorod which, despite the opposition of the United States Administration, will be put into operation on schedule and will give rise to an appreciable increase in mutual goods deliveries is an important new contribution to the expansion of economic relations and cooperation with the developed capitalist countries of Europe.

The socialist and industrially developed capitalist countries possess the world's largest production and scientific and technical potentials. For this reason, the solution of important global problems which face modern humanity depends above all upon their joint and coordinated actions. This includes such primary problems as the energy, raw materials, and food problems, the exploitation of the resources of the world's oceans, environmental protection, and overcoming the economic and technical backwardness of the developing countries.

The aggressive policies of imperialism and, above all, of American imperialism are the chief obstacle to the positive solution of all of these problems and to the expansion of mutually advantageous cooperation between the two groups of countries. This is confirmed, in particular, by the measures undertaken by the United States and a number of other capitalist states at the end of 1981 to curtail trade and economic relations with the USSR and to rupture them with Poland when their plans to destroy socialism in that country failed. It was precisely at this difficult and responsible moment that there was an especially powerful demonstration of the common nature of the fundamental interests of the socialist commonwealth countries and of their fidelity to the principles of comradely solidarity. The USSR and the other CEMA countries provided fraternal Poland not only with moral and political but also with the widest economic support through deliveries of goods and raw materials needed by its economy and population.

Given the greater complexity of the international situation, the positive role of foreign economic relations is being objectively filled with a new content. They are not only a means of mutually advantageous exchange, but are acting increasingly as the most reliable bridge leading to the establishment of trust, to an improvement of mutual understanding among countries, and, in the final analysis, to the preservation of peace--this highest value in the world.

The economic interests of the socialist countries are very diverse. Foreign economic relations participate in meeting them directly or indirectly in close interaction with other branches of the economy. In addition, in realizing these diverse relations the socialist countries do not try to take care of their interests at the cost of other countries and peoples. The principles of internationalism, of the solidarity of people of labor, and of justice and mutual benefit have been and continue to be the most important ones in their foreign economic activities.

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USSR-CEMA TRADE

COORDINATION OF CEMA INVESTMENT POLICY

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[Article by A. Belovich: "The Coordination of the Investment Policy of the CEMA Member Countries"]

[Text] The article examines some of the methodological and methods problems of the coordination of the capital investments of the CEMA member countries in the process of the coordination by them of their economic and scientific and technical policies. Especial attention is devoted to strategy in the investment field in connection with the coordination of long-term plans for the most important branches of the economies of the CEMA countries.

The problems of the coordination of the capital investments of the CEMA countries have not yet been worked out in a sufficiently overall manner. To this day they are among the least studied problems of the international socialist division of labor. Despite this, CEMA agencies are already awaiting from scientists scientifically substantiated proposals on improving the coordination of CEMA investments.

The coordination of capital investments and the development of scientifically substantiated proposals on perfecting its methods are of great importance for the coordination of the economic plans of the CEMA countries for the years 1986-1990. A discussion of these matters was the subject of an international scientific conference on the topic "An Improvement of the Process of Coordinating Capital Investments as a Component Part of the Coordination of the Economic Plans of the CEMA Member Countries" which took place from 11 through 14 January 1982 in Bratislava (Czechoslovakian SSR). It was organized by the CEMA International Institute of the Economic Problems of the World Socialist System jointly with the Institute of Marxism-Leninism of the University imeni Ya. A. Komenskiy in accordance with the scientific research work plan of the International Institute of the Economic Problems of the World Socialist System for 1982-1983.¹

The coordination of the capital investments of the CEMA countries is to be understood as the voluntary and planned activity of the interested fraternal countries (on a bi- or multilateral basis) to coordinate or make joint use

or unite their national investments for the purpose of a joint or coordinated solution of common economic problems. It gives rise to changes in the initial (worked out without regard to the goals or variants of a joint solution of common problems) drafts and economic plans for the distribution of investments.

The coordination of the capital investments of the CEMA countries is, of course, concerned not with their entire amount, but only with that part which is directly connected with their participation in the construction of new or in the expansion, reconstruction, modernization, and reequipping of those operating enterprises whose output is used to solve common economic problems on the basis of the development of the international socialist division of labor.

The following are the chief concrete goals of the coordination of the capital investments of the CEMA countries:

--a more efficient long-term provisioning of the constantly growing needs of the interested countries for fuel, energy, raw materials, industrial consumer goods, food, and modern machinery and equipment, which is basically achieved on the basis of a more efficient use of the natural, material, financial, and labor resources and also of the production capacities of the CEMA countries which are in operation and which are planned for construction;

--a substantial increase in labor productivity, and a decrease in the cost and improvement of the quality of output, which is connected with the necessity for the rapid introduction of progressive scientific and technical achievements into production;

--opposition to the emergence of and the elimination of economically invalid parallelism in the creation of production capacities in the CEMA countries.

The coordination of the capital investments of the CEMA countries is expedient when it promises a greater economic benefit for each interested country than the one which the latter would obtain from the uncoordinated investment of capital and resources; that is, from making use of them exclusively in order to organize its own production of the corresponding output.

In our opinion, the basic conditions for the effective coordination of the capital investments of the CEMA countries are:

--the use of an overall approach (that takes account of scientific and technical development, investments, and output sales) in the long-term coordination of the development plans of selected branches and types of production;

--a close tie between the coordination of the investments and the coordination of the scientific and technical policies of the fraternal socialist states in order to accelerate scientific and technological progress and bring about a rapid introduction of its results into production;

--a skillful use of the planning, market,² and organizational-contract instruments of the economic mechanism of cooperation and of the national mechanisms

of economic management, and also a further improvement of them in their application to the investment cooperation of interested CEMA countries;

--the consistent directing of investment coordination toward the creation of optimal production capacities³ and their more rational siting, and toward an improvement of the developed production structure both in individual CEMA countries and within the framework of socialist cooperation as a whole.

One of the basic questions which was posed in the report and discussed at the conference concerned an improvement of the coordination of the capital investments of the CEMA countries in certain forms of cooperation in the field of planning. This follows above all from the similarity of the basic goals of their joint planning and investment coordination which, in its most general form, can be regarded as one of the methods of joint planning, as an element which strengthens the basis of investment cooperation. The cooperation of the CEMA countries in the field of planning applies to all of the stages of the reproduction cycle, including capital investments. It is the investment direction of the individual forms of joint planning that makes up the content of the coordination of capital investments and is an organic component part of it.

A further improvement of the coordination of the capital investments of the CEMA countries as a means of increasing their effectiveness and as an important element of the whole of investment policy which is aimed at an effective coordination and (or) joint solution of common economic problems requires an improvement of the methods of this coordination within the framework of the individual forms of cooperation in the field of planning, and of the methods of preparing national capital construction plans in the direction of taking account of the requirements for deepening and expanding the process of MSEI [expansion unknown], and also an improvement of the economic and organizational and legal terms of the investment cooperation of the socialist commonwealth countries.

A jointly worked out and coordinated conception of the long-term economic, scientific, and technical development of the entire socialist commonwealth (economic strategy and tactics) is, in our opinion, of decisive importance for determining the optimal directions and paths of development of the economies of the CEMA countries for the forthcoming period. The development of this conception has to be coordinated with the overall resources, including capital investments, which are possessed by the CEMA countries as a whole, with the objective laws and tendencies of the development of these countries and of their cooperation, and also with the basic directions of the long-term development of world economic processes. On this level, the coordination of the capital investments of the CEMA countries takes on great importance. Proceeding from these circumstances, certain considerations are stated in the article which can be regarded as one of the possible methodological approaches to a further improvement of the coordination of the investments of the fraternal socialist countries in the process of coordinating their economic policy as a whole and of their mutual consultations on its basic problems, and also of the long-term coordination of their plans for the most important economic branches and types of productions. The methods under consideration can, in our view, be regarded

as the basic methods for the development of a CEMA cooperation conception for the period until the year 2000.

The Role of the Coordination of Capital Investments in the Process of the Coordination of the Economic Policy of the CEMA Member Countries

The economic policy of the communist and workers' parties of the fraternal socialist countries is a concentrated scientifically substantiated manifestation of their activity in the sphere of material production. It finds its expression in the definition of the goals and basic directions of economic development in application to a concrete historical period. Economic policy is subdivided into economic strategy which defines the fundamental tasks and goals for the forthcoming period, and economic tactics which concretizes a clear definition of the ways and means of realizing the goals which have been set by economic strategy.

Economic policy includes the following basic elements: policy in the field of capital investments and of the rational siting of the productive forces; income and prices and wages policy; agrarian, financial and credit, and demographic policy; foreign economic policy; and also the entire system of economic planning and management.

The coordination of the economic policy of the CEMA countries as one of the basic means and forms of a further intensification of the process of MSEI [expansion unknown] is an application of the coordination method to those elements of their policy whose closeness and utilization can help with the solution of problems which are common for these countries. We shall be speaking basically about the development of a coordinated CEMA cooperation strategy in the basic production complexes for a 10-year period, and for a longer term with regard to coordinated branches and types of production. The ways of bringing the instruments, methods, and conditions of the realization of the coordinated social and economic development plans of the fraternal countries closer together will also be examined. And especial emphasis here will be put on a deepening of their reciprocal economic and scientific and technical cooperation.

"The task of an efficient use of the resources which exist in the CEMA member countries is giving rise to the necessity of coming to an agreement not only about a more rational siting of new productions in those countries in which the corresponding labor power, production experience, and so forth exists, but also about the directions of specialization in the system of the international socialist division of labor. It is as a result of this work that a coordinated profiling of the countries in the production of output on the basis of extensive specialization and cooperation could be achieved. This is possible only by means of a coordination of economic policy, and also of capital investments first in selected branches and for individual projects, and then on a wider scale. Without this it will scarcely be possible to achieve a balanced development of the branches of industry and to bring about efficient changes in the structure of social production which would meet both national and common interests, as well as the basic demands of scientific and technological progress: a

consistent orientation of production toward resource-saving technologies and efficiency.

Under the new and more complex conditions of economic management and interaction there is a greater importance in the coordination among the countries of their national conceptions of economic growth, and, subsequently, the creation of a system of coordinated conceptions of economic development in the commonwealth countries which are oriented toward a maximum use of the advantages of the division of labor within the framework of the CEMA. In practice this would mean the consistent development and coordination of the kind of plan for the siting and development of the productive forces of the commonwealth countries which would ensure an optimal supplementation of national economic complexes. All of this places primary emphasis upon the task of a close, scientifically substantiated, and consistent coordination of investment policy which is based on an extensive coordination of long-term capital investment programs [1].

"The coordination of capital investments as a concept in the full sense of this word also includes the coordination of investment policy, and reciprocal information about investment intentions" [2].

"A coordinated structural policy yields positive results only on condition that it is closely interconnected with a coordinated scientific and technical policy. There is no doubt about the fact that the goals of a coordinated structural and scientific and technical policy are fully realizable by means of conducting a coordinated investment policy. Without the coordination of capital investments it is impossible to realize the above-enumerated directions of structural policy" [3].

An important place has to be occupied within the coordination of economic policy as a whole by a coordination of the investment policy of the CEMA countries which is based on a coordination of structure on scientific and technical policy first in selected branches and for individual projects. Such a coordination might be directed, for example, toward the attainment of coordination in the solution of the following group of problems:

a) a reciprocal coordination of the specialization of individual countries in the system of the international socialist division of labor which is aimed at improving the developed production structure in individual CEMA countries and in the entire socialist commonwealth. This requires that the reciprocally coordinated branches and types of products develop in the individual economic complexes of the CEMA countries as mutually supplementary on the basis of an effective MSKP [expansion unknown]. This goal can only be achieved on condition that there is a rational coordination of the formation and development of a production (including the creation of capacities of optimal dimensions) in individual CEMA countries with a view toward the interests of the remaining fraternal states. What is involved here, in essence, is a coordinated direction of investments in individual branches and types of productions within the framework of the entire socialist commonwealth (which can be achieved thanks to the coordination of the development conceptions of selected branches and types of production);

b) the establishment of the criteria and methods for a more rational siting of the productive forces from the point of view of economizing deficit factors of economic growth, and the development of the processes of MSEI, and also the development of a general plan for the siting of production in coordinated types and fields of cooperation.

The factors involved in the rational siting of productive forces operate in the CEMA countries above all within their own national economies, but as a result of the development of the processes of the MSEI the necessity arises for an additional consideration of the interests of the concerned fraternal socialist states. The long-term coordination of the development of selected branches and of the most important types of production plays an important role in the rationalization of an international siting of production capacities within CEMA. In this connection, the problem inevitably arises of the development of a rational general plan for the international siting of production capacities within CEMA, above all for the long term; moreover, the importance of this task will become fully apparent in the near future. Without such development work the problem of creating a highly efficient economic structure for all of the countries of the socialist commonwealth cannot be successfully solved.

Mutual consultations on the basic issues of economic policy have to be one of the organizational forms of the planned cooperation of the CEMA countries which has the task of promoting a more effective solution of the contemporary problems of their social and economic development.

Mutual consultations on the basic issues of economic policy are especially important in those cases when they are carried out for the purpose of a principled disclosure of the interest of individual CEMA countries in participating in a concrete measure. What is involved here is not a detailed coordination of economic policy among the individual countries, but a continual disclosure of goals, conditions, ways, and of the expected effect from a given measure.

Mutual consultations connected with CEMA cooperation in the field of capital investments have been carried out or are planned within the CEMA Committee on Cooperation in the Field of Planning on the following issues:

--the basic problems of capital investments connected with cooperation by the CEMA countries in the construction through their joint efforts of production capacities and with the development of production specialization and cooperation in fields of mutual interest (May 1973);

--the basic directions for increasing the effectiveness of capital investments in the CEMA countries and of cooperation by the countries in this field (1979);

--the problems of meeting the needs of the CEMA countries for fuel, energy, and raw materials and of the development of cooperation in this field, including cooperation in capital construction, and the participation of the countries which import certain types of raw materials, fuel, and energy in maintaining and raising the attained extraction level for these resources in the exporter-countries during the period 1981-1985 and in the more distant future (1982).

The above-mentioned mutual consultations are concluded, as a rule, with the adoption of coordinated memorandums, and also with the writing up by the CEMA Secretariat of their results in the form of collections of the reports and statements of the participants which are then sent to the CEMA member countries.

Along with the positive results in the field of mutual consultations on the basic issues of economic policy, "there are grounds for believing that a number of shortcomings in our work are connected with the fact that consultations were carried out by us with insufficient frequency, comprehensiveness, and detail before the beginning of various measures or during the course of their fulfillment. In the field of the coordination of capital investments the holding of mutual consultations is of the greatest importance" [4].

The development of more intensive and continual cooperation among the pertinent divisions of these countries' central planning agencies and ministries (chiefly the divisions of capital construction and of the reproduction of fixed capital, of general economic problems, long-term forecasts, foreign economic relations, the siting of the productive forces and the development of branches, and others) is an important condition for successful consultations in the field of coordinating the capital investments of the CEMA countries.

An exchange of opinion and the adoption of appropriate measures above all with regard to the following matters could be the content of the mutual consultations on the basic issues of economic policy in the field of the coordination of capital investments:

a) a constant study of needs and capabilities for the development of selected coordinated types of production, and their comparison with the needs and capabilities in this area in each individual country; the development of coordinated development conceptions for selected branches of industry and types of production, and also of the ways and means of providing support for these conceptions, including on the basis of the coordination of the investments of the interested CEMA countries in coordinated fields and projects;

b) the selection of geographically suitable territories and a coordination of the ways of making more efficient joint use of the existing resources of two or several interested CEMA neighbor countries in border areas. What is involved here is the development of cooperation by the CEMA countries in creating through their joint efforts common trans-shipment roads and means and the corresponding equipment, the construction of hydroengineering installations and construction materials plants, and also the utilization of various mineral raw materials deposits.

The development of cooperation in the border areas of the CEMA countries requires the development of inter-state long-term development programs for these regions, and also their realization through a deepening and expansion of the interaction of bilateral intergovernmental commissions on economic and scientific and technical cooperation;

c) the discovery and mutual coordination of branches and types of productions which are capable of exercising an essential influence on the development of the cooperation of the fraternal socialist states by means of the coordination of their capital investments. We are speaking basically about such types of productions:

--which do not exist in the CEMA countries at all, or are insufficiently developed in them;

--in which the CEMA countries wish to achieve a substantial increase in labor productivity, a decrease in costs, and an improvement of output quality;

--which are the basis for satisfying constantly growing, economically valid needs for fuel, raw materials, machinery and equipment, industrial consumer goods, and food stuffs.

What is most important for the above-named types of productions is the fact that their provisioning has to be achieved above all by means of the expansion of existing or the creation of new production capacities, and this, in the final analysis, leads directly or indirectly to the coordination of investments;

d) a coordination of the means and forms of securing various types of fuel, energy, and raw materials through the cooperation of interested CEMA countries in the creation of capacities in certain developing countries, and, first of all, in countries with a socialist orientation. In this connection, it is necessary to determine on a coordinated basis the degree of specialization by the various CEMA countries in the construction of objects in third countries;

e) the use of the planning, market, and organizational-legal instruments of the management of capital construction;

f) an improvement of the directions, methods, forms, and terms of the cooperation by the CEMA countries in the field of capital investments;

g) methods of reflecting the results of the coordination of capital investments by the CEMA countries on a bilateral and multilateral basis in national economic plans.

During the process of the mutual consultations on the basic issues of economic policy there is a disclosure of those tasks whose accomplishment require a longer than 5-year period. This leads to the singling out of a number of measures which require coordination during the course of the long-term coordination of CEMA plans for the most important economic branches and types of productions.

The Place of Capital Investments Coordination in the Process of the Coordination of the Long-Term Plans for the Most Important Economic Branches and Types of Productions of the CEMA Countries

The CEMA countries are increasingly becoming characterized by the kinds of economic processes whose effective development is increasingly demanding the

development of long-term plans for the most important branches and types of productions and their mutual coordination with other fraternal countries. During the period 1971-1975 long-term plan coordination was conducted for 13 of the most important selected cooperation problems. They cover the development of the fuel and energy industry, ferrous and nonferrous metallurgy, the chemical industry, and also the production of consumer goods. Proposals were worked out on the creation through the joint efforts of the interested countries of additional capacities in the raw materials and fuel and energy branches.

Despite an on-the-whole positive evaluation of the results which have been achieved by the CEMA countries in the creation through their joint efforts of objects on a multilateral basis, their share in the total amount of capital investments is still negligible. Thus, for example, the construction of the ten objects included in the SPMIM [expansion unknown] for 1976-1980 was allocated capital investments amounting to around nine billion transferrable rubles, which represents less than one percent of these countries' total investments during the past 5-year period.

One of the reasons for the insufficient development of the coordination of the capital investments of the CEMA countries is also the fact that to date it has been carried out above all within the framework of the coordination of their 5-year economic plans. A 5-year period frequently proves to be too brief for an effective and intensive coordination of capital investments; indeed, the investment draft plans for the forthcoming 5-year plan practically have to be worked out by the end of the current 5-year plan. It is this which explains the insufficient room for carrying out a more effective long-term coordination of CEMA investments.

"At the current stage the cooperation of the CEMA member countries has a number of distinctive characteristics which can, in particular, be characterized in the following way:

--the increased importance of the development of long-term conceptions and programs which define the basic tasks of concrete measures in the field of capital construction and of the development of investment cooperation" [5].

At the present time the multilateral coordination of long-term plans is carried out by means of the development and realization of DTsPS [Long-Term Special-Purpose Cooperation Programs], special long-term scientific and technical cooperation and standardization programs, general and other long-term agreements and so forth. The bilateral coordination of long-term plans is conducted by means of the development and realization of bilateral long-term specialization and cooperation programs (general plans), and also other long-term agreements; moreover, the solution of a number of important cooperation problems is coordinated only on a bilateral basis.

The realization of many DTsPS requires the allocation of the necessary investment resources of the CEMA countries, which inevitably leads to the coordination of their capital investments. The CEMA countries proceed from the fact that

the goal of the development and realization of a DTsPS is not only to provide for the economically valid needs of the CEMA countries for selected types of output over the long term, but also to establish and coordinate the most effective measures which will lead to an overall economy of expenditures (including investment expenditures).

The development and realization of a DTsPS includes the direct or indirect coordination of CEMA capital investments. The direct coordination of CEMA capital investments within the framework of a DTsPS manifests itself in the creation through the joint efforts of the interested fraternal countries on a multilateral basis of selected capacities, or in the construction of joint international enterprises (this form is for now being used more rarely). Insofar as the DTsPS are designed for a long period of realization, the possibility is created for a better coordination of the investment work loads of the individual countries participating in the solution of the given economic problems, and for the performance of the necessary maneuvering in space and time (including within individual 5-year periods).

The effectiveness of the participation of the CEMA countries in the realization of a DTsPS by means of the construction by interested states of joint objects is witnessed, for example, by the General Agreement on the Construction of the Khmel'nitskaya Atomic Electric Power Station through the joint efforts of Hungary, Poland, the USSR, and Czechoslovakia. "The participation of the Czechoslovakian Socialist Republic consists, in particular, in the fact that it extends credit in the form of deliveries of equipment, trucks, metal-working machine tools, construction materials and products, and consumer goods. In payment for this, beginning with 1984 the Czechoslovakian Socialist Republic will receive electric energy in gradually increasing amounts which in 1988 will reach 3.6 billion kilowatt-hours a year, which is equivalent to an energy capacity of 600 megawatts. These deliveries are ensured by agreements until the year 2003. If a 600-megawatt electric power station operating on ordinary fuel had been built in Czechoslovakia, investments of approximately five billion koruna would have been needed; in addition, such an electric power station would have required more than 1.4 billion tons of conventional fuel annually, which in terms of brown coal comes to 3.4 million tons. However, the credit which has been extended by Czechoslovakia is substantially less than the investment expenditures which would have been needed for the construction of its own 600-megawatt electric power station" [6, p 76].

There may also be an indirect and mediated coordination of CEMA capital investments in the preparation and realization of a DTsPS. This will occur when during the course of the realization of a DTsPS the kind of system of multilateral and bilateral agreements between the CEMA countries is created within which the interested fraternal countries take upon themselves commitments to cover the needs of their partners by means of increasing the production of output and increasing investments solely on the basis of their own sources, without the participation of other countries. However, the latter will also commit themselves to provide for the needs of the remaining fraternal countries, but for other types of output, and also without the enlistment of foreign capital

investments. The problem arises here of ensuring an equivalence in mutually exchangeable goods from the point of view of their capital intensiveness.

This problem will be solved after additional work is done on certain methodological problems in measuring the effectiveness of participation by the CEMA countries in various forms of the international socialist division of labor, including the coordination of their capital investments.

The savings in capital investments and energy which the CEMA countries obtain as a result of their participation in the above-cited form of cooperation (the indirect coordination of investments) is witnessed, for example, by the General Agreement on Specialization and Cooperation in the Production of Energy Intensive and Less Energy Intensive Chemical Output. ". . . On the basis of this agreement the Czechoslovakian Socialist Republic will economize during the years 1981-1985 approximately 570,000 tons of conventional fuel and 1.7 billion korunas in capital investments" [6, p 77].

Problems in the long-term coordination of capital investments also arise during the coordination of economic policy as a whole, mutual consultations on the basic aspects of this policy, and cooperation in the field of forecasting. Their inclusion among the long-term and forecasting problems is determined by the length of the period of the creation of the necessary production capacities which are among the structure-determining ones, and which are also among the capital-intensive branches and types of production in which all or several of the CEMA countries show an interest.

In the process of the long-term coordination of capital investments it is advisable, in the first place, to determine the most important types of productions which the fraternal countries regard as expedient to develop by means of the international socialist division of labor. The following could be the basic criteria for the selection of types of productions for the long-term coordination of CEMA capital investments:

--the need for the joint accomplishment of such difficult and expensive scientific and technical tasks as, for example, the development of fundamentally new types of production processes and of new methods of production, and the creation of new types of materials, machinery, and equipment whose use will make it possible for the CEMA countries to occupy a leading place in world science and engineering, or to at least strengthen their independence in a specific field from the industrially developed capitalist states;

--the need for the joint solution of important economic problems which are of especial importance for the economic and scientific and technical development of the CEMA countries and which usually require the creation of capital-intensive production capacities with a long construction period (chiefly to meet the needs for fuel, raw materials, and energy).

The concentration of the capital investments of the interested CEMA countries on the development of coordinated types of production signifies, in fact, the

creation of a progressive production structure for the entire socialist commonwealth as a whole.

"In the coordination of long-term capital investment plans especial importance is acquired by such questions as the length of the reproduction cycle, the amounts of the needed capital investments, the character of the basic raw materials and materials, the prospects for the sale of output, the possibility of making use of the achievements of the scientific and technological revolution, and the character of the changes which are being planned in the structures of the economies of the individual countries" [7].

In the long-term coordination of the capital investments of the CEMA countries consideration should also be given to the conditions of the economically less developed fraternal socialist states in which there exist possibilities for extensive economic growth.

Agreement by the interested countries regarding which types of productions to be developed by means of the international socialist division of labor the individual countries can (in view of their capabilities for allocating capital investments for the construction of quite large capacities) and will develop domestically and with whose output they will cover the needs of all of the other interested countries is an important condition for the long-term coordination of capital investments within the CEMA. When the total need for specific types of output is greater than the investment capabilities of a single CEMA country can supply, a cooperation agreement should be reached among interested countries on covering their overall need for the given types of output by means of the creation of optimal capacities through their joint efforts.

In finding solutions to the problems of the coordination of the capital investments of the CEMA countries within the framework of the long-term coordination of their economic plans it would also be advisable to give consideration to the possibilities for the joint preparation and realization of giant construction projects which as a result of the new achievements of the scientific and technological revolution have become technically realistic (for example, the use of various resource sources which are located at the bottom of the sea, giant hydroelectric power stations or atomic electric power stations, the transportation of products over long distances, and so forth). Thus, new possibilities are appearing for a more efficient use of the economic and natural resources of the individual CEMA countries and other interested states.

The use of an overall, long-term, special-purpose program approach to the solution of the most important branch and inter-branch problems of the development of the economies of the fraternal socialist states and a consideration of the foreign factor in meeting their economically valid needs for specific types of output on a multilateral basis is an important condition for increasing the effectiveness of the long-term coordination of capital investments. Such an approach will promote an expansion of the sphere, dimensions, and temporal horizon of the coordination of the CEMA country investments.

The following proposal is in complete accord with the above-cited considerations: "In the long-term coordination of plans it is necessary to develop and employ an overall approach, which will make it possible to map out beforehand the ways of developing selected branches and types of productions and to evaluate the need of the CEMA countries for capital investments" [8].

Useful experience has been acquired in this direction in the development and realization of multilateral cooperation agreements for the long-term development of united energy systems for the period until 1990, cooperation agreements on creating a single system of modern computers, and so forth. The long-term special-purpose cooperation programs of the CEMA countries in the most important economic branches are a good basis for the acquisition of practical experience also in the field of the effective coordination of their capital investments.

The coordination of the capital investments of the CEMA countries will expand, deepen, and promote the effective development of the entire socialist commonwealth and the continual strengthening of its position in the world economy only when it will be directed toward an acceleration of scientific and technological progress, a rise in the technical and economic level of output, and an increase on this basis of the efficiency of all of social production. For this reason, an important condition for the effective coordination of capital investments is its close tie to the coordination of the scientific and technical policy of the fraternal socialist states which is becoming a most important instrument for the development of deep integration processes in the field of science, engineering, and production, and for the supplementary character of reproduction processes, including the reproduction of fixed capital.

Many problems in the coordination of the CEMA countries' capital investments still have to be solved, and more experience has to be acquired. It should also be added that the capital investment resources which each country is able to allocate for use in other countries are limited. This is also a result of the relatively insufficient development of the capital investment coordination of the CEMA countries. To this day resources which are allocated for use on a coordination basis are still not understood everywhere as a component part of total investment resources which are frequently able to more effectively promote the purposeful solution of various domestic economic problems than their use outside of coordination with other CEMA countries.

Despite the above limitations, it is to be believed that with the development of MSEI stronger interconnections will be established between the direction of the capital investments of the CEMA countries into individual branches of the economy and industry and the foreign economic relations of these countries, which will gradually narrow the sphere of the capital investments which are neutral with regard to the international division of labor. We have in mind above all the fact that the development of MSEI presently concerns no longer only that part of capital investments which is connected with the participation of the fraternal states in this process, but also their remaining production investments. Increasing consideration has to be given to the influence of the international division of labor on the direction of these investments (a

comparison of the effectiveness of imports with domestic production; the determination of the size of an enterprise's optimal capacity with regard to providing for the economic needs of partner countries, and so forth).

Proceeding from the above considerations, the role of the coordination of the capital investments of the CEMA member countries should be understood as a means of increasing the economic effectiveness of the investments of these countries and an important element of their investment policy aimed at the effective coordination and (or) joint solution of common economic problems.

FOOTNOTES

1. A report prepared by A. Belovich--the director of a research group of the CEMA International Institute of the Economic Problems of the World Socialist System and the author of the present article--served as the basis for discussion at the conference. This report has been put at the basis of this article.
2. Attention was directed to the development of mutually acceptable market instruments which are necessary in joint construction by many participants in the conference in Bratislava, particularly Comrades T. Angelov and K. Lozanov (People's Republic of Bulgaria), N. Mikulash (Czechoslovakian Socialist Republic), Ye. Sarnatski (CEMA Secretariat), and also A. Mirenkov and Kh. Klapp (International Investment Bank). In accordance with the scientific research work plan of the CEMA International Institute of the Economic Problems of the World Socialist System for 1982-1983, it is planned to work up the topic "An Improvement of the Economic Conditions for the Realization of Investment Cooperation Measures by the CEMA Countries, Including Methods and Procedures for Evaluating Their Effectiveness."
3. The concept of an optimal production capacity is applied by us not only to an individual enterprise. It can also be applied to a complex of cooperating enterprises which operate on a planned and coordinated basis and which are spatially located in different places (including the territories of different countries) and whose general functioning accords with the optimality requirements which are made upon a large production unit. The indicator of the size of a specialized production which is characteristic for the advanced enterprises and companies of the world that occupy a leading position on the world market for their products thanks to their high output quality and low specific expenditures can serve as a reliable technical and economic criterion for determining the optimal dimensions of production capacities. The basic direction in the creation of optimal production capacities in the processing branches of the industry of the CEMA countries should be, in our opinion, an expansion and deepening of efficient specialization and, in the first place, production cooperation in close interconnection with a coordination of the use of the scientific and technical potential of the socialist commonwealth.

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ROLE, FUNCTIONS OF CONVERTIBLE RUBLE

Moscow DEN'GI I KREDIT in Russian No 3, Mar 83 pp 21-28

[Article by Professor Yu. A. Konstantinov: "On the Question of Enhancing the Role of the Convertible Ruble and Developing Its Functions"]

[Text] The need to increase the effectiveness of foreign economic relations and first of all to expand and intensify the cooperation with socialist countries is indicated in the decree of the November (1982) CPSU Central Committee Plenum. "The strengthening of the socialist community," General Secretary of the CPSU Central Committee Yu. V. Andropov said at the plenum, "will henceforth also be a primary concern of our party. Our strength and the guarantee of ultimate success even in the most serious tests lie in unity."¹ The CPSU will try to see to it, it was emphasized at the plenum, that the comradely cooperation and socialist interdependence of the fraternal countries would become more thorough and effective, including in the joint solution of scientific, technical, production, transportation, energy and other problems. The international currency system of the CEMA member countries, the basis of which is the socialist collective currency--the convertible ruble--is called upon to play an important role in their fulfillment.

Attaching great importance to this currency, the CEMA member countries are presently advancing as one of the urgent tasks the task of the further enhancement of its role and the development of the monetary functions. The statement of this problem and the basic directions of its solution are clearly formulated in the Comprehensive Program of Socialist Economic Integration.² In making them more specific now as applied to the present requirements of the intensification of the integration of the economies of the CEMA member countries, which are developing as interconnected units of the economy of the world socialist system as a whole, it is important, it seems, first of all to tally some of the results of the implementation of the Comprehensive Program in this area and on their basis to single out the key problems which are ripe for practical solution.

1. PRAVDA, 23 November 1982.

2. See "Kompleksnaya programma dal'neyshego uglubleniya i sovershenstvovaniya so-trudnichestva i razvitiya sotsialisticheskoy ekonomicheskoy integratsii stran-chlenov SEV" [The Comprehensive Program of the Further Intensification and Improvement of the Cooperation and the Development of the Socialist Economic Integration of the CEMA Member Countries], Moscow, Politizdat, 1971, pp 49-52.

"The CEMA member countries," it is stated in the named document, "will study and will implement economic and organizational measures on the strengthening and enhancement of the role of the collective currency (the convertible ruble) so that it would fully perform the basic functions of the international socialist currency of the CEMA member countries (a measure of value, a means of payment and a means of accumulation) in conformity with the tasks of the individual stages of the intensification and improvement of cooperation and the development of socialist economic integration...."³ The tasks of enhancing the role of the convertible ruble and developing its monetary functions are closely interconnected. The development of the monetary functions of the collective currency is one of the important means of enhancing its role and broadening the sphere of its use. This problem has several aspects. Two of them apply to global spheres of the functioning of the convertible ruble: within the region of CEMA and beyond it--in the world economic relations of the member countries of this organization.

In the region of CEMA the named problem, in turn, also has two aspects. One of them is the increase of the number of countries which use the convertible ruble in settlement and credit relations with the partners of CEMA when new members join CEMA, the International Bank for Economic Cooperation [IBEC] and the International Investment Bank [IIB]. The other is the expansion of the types of transactions which are carried out directly in convertible rubles.

The world economic aspect presumes the use by the CEMA member countries of their collective currency in settlement and credit relations with other socialist states, as well as developing and industrial developed capitalist countries. In the Comprehensive Program it is stated: "The collective currency (the convertible ruble) with the enhancement of its role may in the future be used in settlements with third countries and may occupy among the other currencies, which serve international settlements, a place which is in keeping with the role and importance of the CEMA member countries in the world economy."⁴

During the years of the implementation of the Comprehensive Program not all of the aspects of the problem of enhancing the role of the convertible ruble and broadening the sphere of its use have been realized to an equal extent. In the region of CEMA to the extent of the ripening of specific economic, political and organizational prerequisites this problem as a whole is being solved successfully. Whereas prior to the adoption of the Comprehensive Program 8 CEMA member countries used the convertible ruble in their mutual settlement and credit relations, now 10 are using it. In recent times the Republic of Cuba and Vietnam, which have become members of CEMA, the IBEC and the IIB, have been participating in these settlements. Thereby it is possible to say figuratively that the convertible ruble has become an inter-continental currency. It is now being used in three parts of the world--Europe, Asia and America.

The number of transactions being carried out directly in the collective currency has increased so much in the region of CEMA that at present it is difficult to name a sphere of mutual cooperation, in which the convertible ruble is not used. Trade

3. Ibid., pp 49-50.

4. Ibid., pp 50-51.

and nontrade transactions, bank and intergovernmental credits, short-term and long-term, insurance and tourism--this is an incomplete list of the spheres of mutual economic and cultural cooperation of the CEMA member countries, which are served by the convertible ruble.

During the past years of the implementation of the Comprehensive Program of Socialist Economic Integration the Executive Committee of the Council for Mutual Economic Assistance has repeatedly examined the reports on the means on the further enhancement of the role of the convertible ruble, which were prepared by the CEMA Permanent Commission in cooperation with other organizations of the council, as well as the IBEC and IIB, and noted that it is being enhanced. Thus, at the 97th meeting, at which the Executive Committee once again examined the materials on this question, it was indicated that as a result of the work performed in the CEMA member countries and in the organs of the council the role of the convertible ruble continues to increase, in spite of some unfavorable influence of external factors which are connected with the crisis phenomena on the world capitalist market. The system of settlements and short-term, intermediate-term and long-term lending through the International Bank for Economic Cooperation and the International Investment Bank continues to be developed in this currency. This system conforms to the present conditions of planned economic cooperation between the CEMA member countries.

The volumes of the transactions have become much greater. Whereas in 1971--the first year of effect of the Comprehensive Program--the mutual settlements of the CEMA member countries, which were carried out through the IBEC, came to 39.3 billion convertible rubles, in 1981 they had risen to 140.2 billion convertible rubles, or had increased by 3.6-fold. The credits of the IBEC accordingly rose from 2.8 billion convertible rubles in 1971 to 11.7 billion convertible rubles in 1981, or had increased by more than 4-fold.

Over the entire period of the functioning of the collective currency the settlements in it have exceeded 1 trillion convertible rubles. Now in just 1 day the IBEC carries out transactions directly in this currency in the amount of about 500 million convertible rubles. Moreover, the convertible ruble serves not only the planned reciprocal deliveries of goods, as is assumed at times, but also the above-plan deliveries. For example, in 1981 the USSR delivered to its CEMA partners goods in excess of the agreed amounts according to exports in the amount of about 400 million convertible rubles.

All these are graphic examples of the consistent enhancement of the role of the convertible ruble and the broadening of the sphere of its use in the region of CEMA. At the same time they also make it possible to draw another conclusion. It consists in the fact that the enhancement of the role of the convertible ruble and the development of its functions cannot be an end in themselves. The achievement of this should be subordinate to specific tasks of the extension and intensification of socialist economic integration, which in turn is being developed by stages according to a general goal program and special goal programs, which are outlined not only in space, but also in time, in the form of a gradual, progressive process. Its intensity depends directly on the ripening of quite specific economic and organizational prerequisites at the individual stages of economic cooperation, the development of which it is impossible either to slow down or to speed up artificially.

Moreover, in the economy of the socialist community, which has been organized according to a plan, the convertible ruble does not play a self-sufficient role; it is of auxiliary importance. The convertible ruble is called upon to serve the specific forms of economic, scientific and technical cooperation, which owing to objective necessity and to the extent of the real possibilities arise in the process of the development of socialist economic integration. If these forms do not change and new ones do not appear, there is also no practical need for the enhancement of the role of the convertible ruble, to say nothing of the fact that the objective prerequisites for this also do not exist.

Experience shows that the role of the convertible ruble increased precisely with the progressive development of socialist economic integration and in principle at the same time as this process. Indeed, while the cooperation of the CEMA member countries was confined to traditional forms, which were primarily connected with foreign trade and the implementation of individual integration measures, the convertible ruble served mainly the sphere of the reciprocal commodity turnover. Its use as the currency of contract prices, settlements and lending actually appeared primarily in this sphere.

After the cooperation of the CEMA member countries in the area of physical production and joint capital investments underwent development, the convertible ruble was also quickly enlisted in the service of this integration form of the mutual economic relations of the socialist states. It became the currency of not only foreign trade, but also joint investments. In all 70 percent of the authorized capital stock of the International Investment Bank, which was created for the extension of intermediate-term and long-term credit for the capital investments of the CEMA member countries, is formed of convertible rubles, implying at the same time the enhancement of the role of the collective currency.

By granting credits in this currency, the IIB is taking part in the implementation by the CEMA member countries of the important economic plans which are envisaged by the long-term goal programs of cooperation. During both the past and the current five-year plans the IIB has contributed by its credits to the fulfillment of the coordinated plan of multilateral integration measures of the CEMA member countries. During the current five-year plan it is participating in the accomplishment of two sections of this plan: the measures on the specialization and cooperation of production on a multilateral basis and the multilateral integration measures which are aimed at expediting the development and increasing the efficiency of the economy of the SRV, the Republic of Cuba and the MPR. Within this plan the bank has accepted eight projects for the extension of credit primarily in convertible rubles.

A large number of projects and investment measures are being financed by means of the interstate credits which are being granted by the CEMA member countries to each other and on a multilateral basis. Long-term special-purpose lending in convertible rubles is now a major source of the currency and financial backing of the large-scale economic projects of the countries of the community.

Having adopted a policy of the further development of new forms of economic, scientific and technical cooperation, the CEMA member countries created a network of international economic and management organizations, their finances are formed primarily by the use of the convertible ruble. The collective currency also

serves as a credit source of the development of the activity of international economic organizations. The IBEC and the IIB developed a mechanism for providing as needed financial assistance in convertible rubles to the indicated organizations. Thus, in 1980 the IIB granted credit to the international economic association of the CEMA member countries for nuclear instrument making, Interatominstrument, for the expansion of an enterprise located in Poland. The use of credit will make it possible to increase its production capacities, in connection with which the volume of services being rendered by it to the member countries of the association will increase significantly.

The present stage of the development of socialist economic integration is distinguished by the transition to the solution of more and more long-term, large-scale problems of economic cooperation. This is also posing in a new way a number of tasks for the international currency and financial system of the CEMA member countries. It is called upon, in particular, to promote more actively the solution of the key problems of cooperation, which have been outlined by the countries, the fulfillment of mutual obligations, the timely and continuous currency and financial backing of joint large-scale projects, as well as the assignments which ensue from the coordinated plans of multilateral integration measures. This task is becoming especially urgent in connection with the implementation of the long-term goal programs of cooperation in the most important sectors of physical production, which are intended for the period to 1990. Their fulfillment requires considerable currency resources, one of the real sources of the mobilization of which is the further development of international socialist credit in convertible rubles.

Its role as a currency resource is increasing even more in connection with the complication of the external conditions of the economic cooperation of the CEMA member countries: world market conditions have grown worse, the discriminatory policy of the imperialist states has become more rigid. Moreover, state monopoly capitalism is acting on the main markets as a usurer, by jacking up the interest on credit and forcing borrowers to divert for its payment enormous export resources. Under these conditions the monetary assets in convertible rubles are becoming a more and more important source of the currency financing of mutual economic projects of the CEMA member countries.

The further development and intensification of the process of enhancing the role of the convertible ruble and broadening the sphere of its use in many ways will depend on how much more completely it will be able to perform its monetary functions. The convertible ruble is now also performing the basic one of them--the function of a measure of value. In this currency the value of goods on the international market of the CEMA member countries is compared, contract prices are formed, various economic indicators in different areas of joint planning activity are evaluated. For this purpose, including the setting of contract prices in reciprocal trade, the CEMA member countries are using the exchange rate of the ruble to the U.S. dollar and other convertible capitalist currencies.

As is known, the CEMA member countries voluntarily came to the agreement to establish their foreign trade (contract) prices on the basis of the prices of the main world markets, while freeing them without fail from speculative and competitive influences. Assume that the cleared world price of some commodity finds expression in \$1,000, while \$100 is approximately equal to 74 convertible rubles (according to the average annual exchange rate). Then the contract price, at which one country

or another sells this commodity to its CEMA partner, will come to 740 convertible rubles.

The gradual improvement of the system of exchange ratios of the convertible ruble will have a direct influence on the further development of the function of a measure of value. The assurance of the realisticness of the exchange rate of the convertible ruble to the U.S. dollar and other convertible capitalist currencies is of great importance for pricing on the international market of the CEMA member countries. In conformity with the Comprehensive Program the CEMA Permanent Commission for Currency and Finance by means of economic calculations and in accordance with an approved methodology periodically checks the realisticness of this exchange rate. The comparison of the purchasing powers of the convertible ruble and the U.S. dollar on the basis of the comparison of the average weighted levels of contract prices on the market of the CEMA member countries and on the world capitalist market respectively in their collective currency and the American monetary unit makes it possible to draw the conclusion of the realisticness of the parity exchange rate of the convertible ruble: 0.7461 per \$1 (with allowance made for its two devaluations), or \$1.3403 per convertible ruble. There is thereby confirmed the provision of the Comprehensive Program that "the organization according to plan of the mutual economic relations between the CEMA member countries creates realistic conditions for the assurance of the stability of the gold content and the exchange rate of the collective currency (the convertible ruble) for a longer period."⁵

The indicated ratio is a realistic basis for the monthly calculation by the IBEC of the exchange rate to the dollar and other convertible capitalist currencies by the method of what is called the average weighted "basket of currencies" (with allowance made for the fluctuations of the market exchange rates), which many countries of the world and international currency and financial organizations are presently using. The IBEC now establishes in convertible rubles the exchange rates of 13 convertible capitalist currencies: the U.S. dollar, the pound sterling, the FRG mark, the Swiss, Belgian and French franc, the Dutch guilder, the Italian lira, the Austrian schilling, the Canadian dollar, the Danish krone, the Swedish krona and the Japanese yen. For example, on 1 March 1982 the quoted exchange rate of the convertible ruble to the U.S. dollar was: 0.7307 per \$1 or \$1.3686 per convertible ruble. As the need arises the IBEC can also establish the exchange rates of other convertible currencies.

Taking into account the economic soundness of the basis and methods of the calculation by the IBEC of the named exchanged rates, the CEMA Permanent Commission for Currency and Finance specified the sphere of their practical use. They can be used, in particular, in the case of the conversions of: world prices into contract prices; payments in convertible currencies into convertible rubles for the construction of projects which are being carried out by the joint efforts of countries; the value indicators, which are expressed in convertible currencies, into the collective currency of the CEMA member countries for the purpose of various statistical comparisons. But this implies at the same time the further use of the convertible ruble in the function of a measure of value.

In recent times the practical need has arisen for the determination by the IBEC of the exchange rates of several nonconvertible currencies in convertibles rubles. At

5. Ibid., p 51.

present at the request of the Interlikhter international economic maritime enterprise the IBEC is calculating with respect to the convertible ruble 5 exchange rates of nonconvertible currencies: the Indian and Pakistani rupee, the Egyptian pound, the Turkish lira and the Malaysian ringgit. They are being used by the Interlikhter enterprise when calculating the cost of services, in the balance sheet record of operations in connection with the settlements in the indicated currencies for the passage of lighter carriers through the Bosphorus and the Suez Canal and for calls at ports. The performance of these operations also implies the stepping up of the functioning of the convertible ruble as a measure of value.

The exchange rate of the convertible ruble to the national currencies of the CEMA member countries is used for the trade, settlement and credit and nontrade transactions which are directly connected with the mutual economic and cultural cooperation of these countries and their socialist economic integration. At present it has an exchange rate for all 10 currencies of the CEMA member countries. Moreover, under the conditions of the integration of their economies the creation of the prerequisites for the more complete use in the sphere of the trade turnover of the exchange rate of the convertible ruble to the national currencies of the CEMA member countries, which is established on a coordinated basis, is of great importance. It is also now being used by agreement between the CEMA member countries in the case of cooperation in the area of planning activity, particularly when determining some indicators or others of the agreed on plans of multilateral integration measures for a 5-year period, for some analytic purposes which are connected with individual international comparisons.

The conditions for the more extensive use of this exchange rate will be created as the structures of the national economic mechanisms of the CEMA member countries, including the methods of their domestic pricing, come closer together. This will make it possible to use more completely the exchange rate of the convertible ruble to the national currencies of the CEMA member countries, which has been calculated on an agreed on basis, in the technical and economic substantiation of the effectiveness of the measures on the interstate specialization and cooperation of production and in other integration forms of mutual foreign economic relations.

All this, undoubtedly, will increase the use of the convertible ruble in the function of a measure of value. This function will be developed even more when the prerequisites appear for the implementation of such a measure of the Comprehensive Program as the introduction of a uniform exchange rate of the national currency of each CEMA member country to the convertible ruble. The CEMA Permanent Commission for Currency and Finance has formulated the concept of a uniform exchange rate. It is possible to understand by this exchange rate the only exchange rate in the country, which will be used for various purposes, all types of payments, including for settlements on nontrade transactions.

The named exchange rate would make it possible to give a uniform valuation to all forms of cooperation, including those which are mediated by retail prices. The determination of the comparative effectiveness of one joint measure or another will be simplified. The opportunity would arise to compare a wide range of economic indicators and to analyze the state and dynamics of the levels of economic development of the CEMA member countries.

In particular, it would be possible to measure in a single--the collective--currency the gross national product and the national income as a whole by countries and on a per capita basis, which in turn would make it possible to extend the coordination of the national economic plans, especially the joint planning of individual sectors and types of works, including the planning and use in these sectors of capital investments. However, specific economic prerequisites are required for the introduction of a uniform exchange rate. The main one of them is the elimination of the substantial differences between wholesale and retail prices. With the introduction of a uniform exchange rate the convertible ruble would be used more completely in the function of a measure of value.

As applied to the tasks of the present stage of the mutual economic and cultural cooperation of the CEMA member countries their collective currency is also performing such closely interconnected functions as means of payment and means of accumulation. In these functions it is being used, for example, in the case of the payment for goods and services and in the case of payments on the repayment of credits. The CEMA member countries are delivering to each other for convertible rubles at agreed prices such goods as iron ore, coke, ferrous and nonferrous metals, gas, petroleum and petroleum products, timber and lumber, machines and equipment, cotton, foodstuffs and consumer goods.

For example, in 1980 just with respect to the commodity turnover of the Soviet Union the deliveries of nearly 37 million tons of iron ore, about 5 million tons of potassium salts and nitrogen fertilizers, nearly 8 million m³ of timber and lumber, more than 800,000 tons of paper and cardboard, about 500,000 tons of cotton, liquid and solid fuel, as well as gas worth more than 8 billion rubles, machines, equipment and vehicles worth 15.5 billion rubles and much more were paid for with convertible rubles.⁶

In the process of the functioning of the convertible ruble among the countries with a favorable balance of payments temporarily idle assets form, which before convertibility into necessary goods are accumulated by the countries in their current account and in deposits at the IBEC, for which they receive interest. Thereby the convertible ruble performs the function of a means of accumulation. By using it, the CEMA member countries created the settlement and credit mechanism of the IBEC and IIB, the basis for which is the principle of the multilateral nature of economic relations.

The more complete development of the functions of the convertible ruble as a means of payment and a means of accumulation depends mainly on two factors: the systematicness of its use and the material base--the supply of a stock of goods. Its role as the currency of the planned economy is primarily auxiliary. In this role it mediates the movement first of all of those commodity flows, which are the result of the coordination of the national economic plans of the CEMA member countries and are envisaged in the long-term trade agreements and annual protocols.

The CEMA member countries consciously, on the basis of the requirements of the objective economic law of planned, proportionate development, gave priority to systematicness. But at the same time this limits just as objectively the role, force and

6. See "XXVI s"yezda KPSS i sotsialisticheskiye finansy" [The 26th CPSU Congress and Socialist Finance], Moscow, Finansy i statistika, 1982, p 411.

sphere of effect of money on the international market of the CEMA member countries, by channeling the functioning of the convertible ruble in the direction of systematic relations. Therefore its functions are the functions of a currency of a special type, which serves a planned, that is, consciously organized, market. Under the conditions of socialism systematicness is a permanent factor, which sets specific limits on the development of the monetary functions of the convertible ruble, by limiting them in one way or another. But this circumstance does not lessen, but, on the contrary, increases the effectiveness of the mechanism of the systematic movement of goods, by ensuring the address nature of their deliveries in the volumes planned in advance as use values which are necessary for the maintenance of the corresponding rates and proportions in the national economy of the CEMA member countries.

The second factor is more flexible, dynamic and decisive from the point of view of the real possibilities of the more complete utilization at the present stage of the functions of the convertible ruble as a means of payment and a means of accumulation. It is well known that the convertible ruble is a version of credit money, which does not have its own value. Like the national currencies of the CEMA member countries, as well as the U.S. dollar and other convertible currencies (the latter are a hybrid of credit and paper money) the convertible ruble can manifest itself as value only in a specific physical vehicle. The commodity--the real material substance of credit money--acts as it. The amount of the stock of goods, its assortmental and qualitative structures, the level of production costs and, consequently, the commodity prices--all this is what determines the strength of a currency of credit origin, its ability to be turned quickly into goods and, as applied to the convertible ruble, both within the planned quotas of goods and especially in excess of them.

Real possibilities of stepping up the functions of the convertible ruble as a means of payment and a means of accumulation also lie in the ability to be turned continuously into goods. But this to a considerable extent is a problem of the further increase of production efficiency in the founding countries of the collective currency and of the improvement of the economic mechanism of its functioning in the direction of the provision of the conditions for the constant maintenance of proportionality in the movement of the mass of money and goods. Hence it is clear that this problem is by no means only and even not so much a currency and financial problem. To a considerable extent this is a problem of physical production and the further improvement of the entire economic mechanism of socialist economic integration. In the Comprehensive Program it is stated: "The strengthening and the enhancement of the role of the collective currency (the convertible ruble) are a process, of which the measures both in the currency sphere and in the sphere of physical production and foreign trade are a component."

Not by chance does the word "strengthening" stand in first place in the cited quotation. The functions of the convertible ruble can be stepped up and its role can be enhanced precisely on the basis of the systematic strengthening of the convertible ruble on the basis of the development of the production of goods, particularly by the intensification of international specialization and cooperation. But this, although an important part, is only a part of the problem. The other part presumes the need for the systematic creation of specific commodity and currency reserves in

7. "Kompleksnaya programma...", p 50.

convertible rubles. In this connection it is emphasized in the Comprehensive Program: "The enhancement of the role of the collective currency of the CEMA member countries (the convertible ruble) should be based on the necessary economic prerequisites, and first of all on a stable multilateral foreign trade turnover and the accumulation of commodity and currency reserves."⁸

Such accumulation of commodity and currency reserves, which is in keeping with the planned nature of the socialist economy and the systematic character of mutual economic cooperation, is meant here. It is important, it seems, to take into account as well the conditions of the production of some goods or others and their shortage. For example, sea vessels, turbines for nuclear electric power stations and other similar products cannot be accumulated in excess of the needs, which have been identified and the possibility of the meeting of which was determined realistically in the process of coordinating the national economic plans for a 5-year period. To a considerable extent this stems from the length of the production cycle and the high cost of such goods. They are included among those which can be produced and sold, as a rule, within a coordinated plan. It is impossible to accumulate them in the form of commodity reserves.

The same thing, obviously, also applies to a number of scarce fuel and raw material goods. If their resources are limited, the needs of the economies of the countries, which are being integrated, can be met mainly by the quantitative regulation of the deliveries of such goods. Hence, the possibilities of the accumulation in them of the corresponding commodity reserves are also objectively limited. Therefore in this case it is a question of the creation first of all of more maneuverable goods, the production of which it is comparatively easy to expand and there is a need on the part of the integration partners for its increase.

The movement of this mass of goods, including in excess of the deliveries envisaged by the trade agreements and annual protocols on the commodity turnover, presumes at the same time that the trade partners also have the corresponding currency reserves. In turn both types of reserves (commodity and currency) create the necessary material base for the more complete manifestation of the monetary functions of the convertible ruble as a means of payment and a means of accumulation.

In our firm conviction, it is possible to consider the convertible ruble in the planned economy as a reserve currency in this and only this sense. And it is it in spite of the opposite opinion of some economists, who substantiate the need for the transformation of the convertible ruble into a reserve currency much like, for example, the U.S. dollar and other western currencies. Meanwhile in the systematic cooperation of the CEMA member countries there is no objective need for currency reserves in convertible rubles in the amounts, in which the reserves of convertible currencies are usually formed and which the capitalist states with their market economy have been forced to create. This is due mainly to two interconnected factors. First, unlike capitalist manufacturers, which strive to accumulate currency for the purpose of its transformation into capital, the economic organs of the socialist countries as a whole and the managers of enterprises separately are interested in obtaining from their partners specific commodity stocks, and not currency as such for its transformation into capital. Second, under socialism there exists a fundamentally different form of the buying and selling of goods on its international

8. Ibid.

market as compared with the capitalist market. In systematically organized cooperation the products list and dates of deliveries of goods are planned in accordance with the results of the coordination of the five-year national economic plans. The need for means of payment is thereby known in advance, and their accumulation can be carried out within the limits of the required amount. This is of enormous socioeconomic importance, since there are released from the sphere of settlements considerable currency reserves, to which there is no need to oppose the corresponding reserve commodity stocks and which can, consequently, enter in a large amount into the sphere of consumption in production and personal consumption, meeting the constantly increasing demands of the population.

All this means that in the case of the existing economic mechanism of socialist economic integration, of which the cooperation of the CEMA member countries in the area of planning activity constitutes the basis, currency reserves in convertible rubles are needed by the socialist states in the optimum amounts, which are dictated by the national needs of the reproduction process and the tasks of the development of mutual economic cooperation, particularly on the basis of the more efficient use of the monetary functions of the convertible ruble. By means of these assets the CEMA member countries can balance their reciprocal settlements and equalize the balances of payments. In the absence of their own assets in convertible rubles the CEMA member countries have the opportunity to expand their commodity turnover and to equalize the balances of payments by means of credits of the IBEC, which require a fee and are granted for a maximum period--up to 3 years.

Currency reserves in convertible rubles are needed in reasonable amounts, and mainly amounts which are known in advance, by not only the countries which are direct partners in integration, but also their collective banks--the IBEC and the IIB--for the assurance of the continuity of the process of carrying out settlement and credit transactions. Unlike capitalist banks, the socialist collective banks have no need to create currency reserves in convertible rubles in significant amounts. For capitalist banks which use freely convertible currency the amount of reserve capital usually exceeds the authorized capital stock. This is explained by the need to cover the potential losses or damages on operations in convertible currencies. On the other hand, at the socialist international banks such losses, as a rule, have been eliminated. Therefore there is also no need for the creation of large reserves of convertible rubles.

In this connection, for example, the Council of the IBEC in 1981 adopted the decision to halt for the time being the further deductions from the profit for the reserve capital in convertible rubles. On the other hand, the reserve capital of the IBEC and IIB in convertible capitalist currencies is steadily increasing, which stems from the need to always have a reserve of such currencies in case of a change of the conditions of the capitalist money market and the increase of credit discrimination on the part of capitalist banks. For this purpose, subject to the urgency of the situation, it has not been ruled out that the collective socialist banks can make the decision, for example, to distribute the profit among the member countries, but not to pay it until a specific time, regarding it as a potential source of the currency reserve. Meanwhile the profit in convertible rubles in connection with the dynamism of the mutual economic cooperation of the CEMA member countries is constantly increasing, and the IBEC is paying it to the member countries. For them it is a stable source of income.

All this is a reflection of the indisputable advantages of the planned economic system in the socialist countries and their mutual international cooperation and, on this basis, of the currency of a planned economy as compared with a market economy.

Of course, there is also the currency and credit aspect of the problem of the development of the functions of the convertible ruble as a means of payment and a means of accumulation. It is connected, in particular, with the creation of more favorable currency and credit conditions for the development of multilateralism in the payment relations of the CEMA member countries. But this requires the settlement, for example, of such questions as the further increase of the stimulating role of bank interest for credit, the improvement of credit planning and the more complete balancing of the payment relations between the CEMA member countries on the condition of the unconditional observance of the basic principles of their cooperation: the assurance of the equivalence and reciprocity of economic exchange. In our opinion, these questions have become ripe and it is time to expedite their settlement, which will contribute to the further stepping up of the use of the convertible ruble as a means of payment and a means of accumulation.

As to the world economic background of the functioning of the convertible ruble, it is being created gradually, to the extent of the maturation of the necessary prerequisites. Thus, credit for the expansion and modernization of the Tang Tool Plant in Yugoslavia was granted by the International Investment Bank. This is the first credit granted by the IIB to a country which is not a member of it. The modernization of the plant, which produces sets of tools for passenger cars, is being carried out by means of equipment, machines and devices, which are being delivered mainly from CEMA member countries. As a result of renovation the volume of the output of products at the Tang Plant will increase by more than twofold, while the volume of export deliveries will increase by more than sevenfold. In connection with the obtaining of credit from the IIB the People's Bank of Yugoslavia began in 1981 to make settlements in convertible rubles through the IBEC. Thereby the convertible ruble went beyond the CEMA member countries, and, consequently, its role was enhanced even more and the world economic aspect of its functioning appeared.

Other (for the present mainly organizational and technical) prerequisites have also been created for the broadening of the sphere of use of the convertible ruble outside the region of CEMA and thereby its gradual transformation from a regional currency into a world currency, which to a certain extent not only socialist, but also developing and industrially developed capitalist countries could use in settlements with the CEMA member countries.

Thus, the IBEC elaborated and in 1976, in conformity with the recommendations ensuing from the Comprehensive Program of Socialist Economic Integration, improved the terms of the participation of nonmember countries of the bank in the system of settlements in convertible rubles. The bank notified its main correspondents in the socialist and capitalist countries about these changes. The improved principles and terms of the participation of third countries in the system of settlements in convertible rubles stipulate the specific transactions which can be carried out in them, the means of settlement with nonmember countries of the IBEC, as well as the types of credits, which can be granted by the bank to these countries.

The IIB also adopted the Basic Principles of the Granting of Credits to Borrowers of Nonmember Countries of the Bank. In conformity with them it has the right to grant long-term and intermediate-term credits to the banks and economic organizations of nonmember countries of the IIB. The credits can be intended for the construction, renovation and modernization of projects, which are of mutual interest for the member countries of the bank and the nonmember countries of the bank and are connected first of all with the implementation of the corresponding measures of the Comprehensive Program of Socialist Economic Integration. However, in addition to the economic, organizational and technical conditions for the more complete use of the convertible ruble in the settlements with third countries, including capitalist states, the appropriate political climate is also needed, the name for which is detente, which makes it possible to develop currency and credit relations with the capitalist world on an equal, mutually advantageous basis.

Of course, the appearance of one currency or another on the world arena is not a simple process. The British pound sterling and the U.S. dollar needed not less than 150 years for this. Moreover, the United States and England used not only economic, but also political factors. Thus, England became the workshop of the world, the ruler of the seas, while expanding its colonial possessions. Along with a colonial empire the so-called sterling zone was created and expanded. The countries belonging to the empire were obliged forcibly, by methods of extra-economic coercion, that is, by force, to keep their monetary reserves in the currency, that is, pounds sterling (and only at banks of London), the mother countries were obliged also to use only them as an international means of payment. After World War II the United States, without advancing any other alternative, in essence forced the other countries, the economy of which had been devastated, to agree with the plan of the Bretton Woods system, in conformity with which the dollar became the main international currency of the capitalist world.

Such a means of the appearance of a currency on the world arena is at variance with the logic of the development of the socialist countries, their economy, politics and ideology and with moral principles. They recognize one means--the economic means. And it consists in strengthening consistently and systematically the economic potential of the CEMA member countries on the basis of socialist integration, in gradually equalizing the levels of their economic development, in increasing the share in the world production and export of goods and in increasing their international prestige as the most reliable partners.

And this task is being successfully accomplished. The CEMA member countries now account for about one-third of the world industrial production.⁹ Although the population of these countries constitutes only one-tenth of the population of the world, they produce from 20 to 30 percent of the world output of electric power, petroleum, steel and coal.¹⁰ In the European region of CEMA at present there is no division of countries into agrarian, industrial, backward and economically developed. All the European CEMA member countries have been transformed into economically developed states. Whereas at the time of the founding of CEMA the ratio between the

9. See "SSSR v tsifrakh v 1981 godu" [The USSR in Figures in 1981], Moscow, Finansy i statistika, 1982, p 61.

10. PRAVDA, 3 July 1981.

highest and lowest level of national income per capita in the European countries came to 3.2:1, while for industrial output it came to 5:1, by 1981, for example, the gaps had been reduced respectively to 1.3:1 and 1.7:1.¹¹ The economy of the MPR, Cuba and the SRV is being rapidly developed. The rate of economic growth of the countries of the socialist community during the past decade was twofold greater than among the developed capitalist countries.¹²

All these are reliable prerequisites for the gradual strengthening of the convertible ruble and, on this basis, the development of its monetary functions and the broadening of the sphere of use, including outside the region of CEMA.

11. MEZHDUNARODNAYA ZHIZN', No 6, 1981, p 23.

12. See "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, Politizdat, 1981, p 7.

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CSO: 1825/45

TRADE WITH INDUSTRIALIZED COUNTRIES

UK-USSR LONG-TERM PROGRAM SUPPLEMENT

Moscow FOREIGN TRADE in English No 5, May 83 pp 54-55

[Text]

The Government of the Union of Soviet Socialist Republics and the Government of the United Kingdom of Great Britain and Northern Ireland,
With reference to the provisions of the Agreement on the Development of Economic, Scientific, Technological and Industrial Cooperation of 6 May, 1974, and of the Long-Term Programme for the Development of Economic and Industrial Cooperation of 17 February, 1975, and also taking into account the decisions of the Sixth Session of the Permanent USSR-United Kingdom Intergovernmental Commission of 26 May, 1977, on supplementing the Long-Term Programme with new projects for cooperation;

Noting certain progress achieved in the field of economic and industrial cooperation between the USSR and the United Kingdom, and wishing further to develop and strengthen economic and industrial cooperation between the two countries;

Have reached the following understanding:

1. As a result of measures taken by both parties, the Long-Term Programme is being implemented and is in large measure promoting the expansion of economic ties between the USSR and the United Kingdom on a long-term basis.

2. As regards participation by Soviet organizations in the construction, expansion and modernization of industrial enterprises in the United Kingdom on the basis of possible deliveries of Soviet equipment, licences and technical documentation, with a view to achieving greater practical results the Parties decided to supplement the Long-Term Programme (Annex I, Section A of the Long-Term Programme) with an item concerning deliveries of equipment, licences and technical documentation for the machine-tool engineering, instrumentation and light industries as detailed in Annex I, Section A of the present Supplement.

3. As regards participation by British firms and banks in the construction, expansion and modernization of industrial enterprises in the Soviet Union, the Parties noted that contracts had been concluded between Soviet foreign trade organizations and British firms for the delivery to the USSR of British machinery and equipment for a number of branches of industry, including the oil, gas, chemical, automotive, light, textile and food industries.

For the Government of
the Union of Soviet
Socialist Republics

YU.L. BREZHNEV

For the purpose of further expanding cooperation in the above-mentioned fields the Parties decided to expand and supplement the Long-Term Programme (Annex I, Section B) with new items as detailed in Annex I, Section B of the present Supplement.

4. Cooperation had continued in the field of the construction of enterprises in the Soviet Union on the basis of full or partial payment for equipment and licences being made by deliveries of the products of those enterprises. Negotiations on cooperation between Soviet foreign trade organizations and British firms had been undertaken concerning a number of projects in the oil, gas and chemical industries and other branches of industry.

It was decided to include in the Long-Term Programme (Annex II of the Long-Term Programme) items providing for the delivery of machines, equipment and materials for the exploitation of gas deposits, and also for cooperation in chemical industry projects as detailed in Annex II of the present Supplement.

5. The form of collaboration known as industrial cooperation had undergone its initial development. Specific examples of such cooperation were noted.

In view of the importance of this form of collaboration for the expansion of trade and for the establishment of long-term ties between participating organizations and firms in the two countries, the Parties decided to supplement the Long-Term Programme (Annex III of the Long-Term Programme) with the projects indicated in Annex III of the present Supplement.

6. The Parties decided that periodically in the future they would consider up-dating the Annexes to the Long-Term Programme on the basis of requirements arising.

7. Cooperation in the areas listed in Annexes I-III of the present Supplement would be carried out in accordance with the provisions of the Agreement of 6 May, 1974, and of the Long-Term Programme of 17 February, 1975.

8. This Supplement constitutes an integral part of the Long-Term Programme of 17 February, 1975.

Done in duplicate at Kishinev this twenty-eighth day of September 1982, in the Russian and English languages, both texts being equally authentic.

For the Government of
the United Kingdom of Great
Britain and Northern Ireland

P. REES

Annex I

SUPPLEMENT TO THE LIST IN THE LONG-TERM PROGRAMME

of possible projects for cooperation in the construction, expansion and modernization of industrial enterprises in the Soviet Union and the United Kingdom.

A. In the United Kingdom

Supply of equipment, licences and technical documentation

for:

- the machine tool engineering industry;
- the instrumentation industry;
- the light industry.

B. In the Soviet Union

Supply of equipment for enterprises in the chemical, oil-refining and petrochemical industries, in particular for the production of:

- plant protection chemicals;
- laminated and moulded articles from polyurethane;
- polyethylene;
- dyestuffs;
- tall oil;
- acids for agricultural and other uses;
- polyvinyl chloride.

Supply of machines, equipment, vessels and materials for the exploration, investigation and exploitation of oil and gas deposits:

equipment for exploration and extraction of oil and gas offshore including survey and navigational equipment, vessels and platforms;

equipment for the oil industry, including secondary and tertiary methods of oil extraction, automation of pipeline control and improved oil refining techniques;

equipment for the gas industry, for gas gathering, treatment and distribution; pumping stations including generators, turbines, compressors and control equipment.

Supply of equipment and technology facilitating the conservation of energy resources.

Supply of equipment for the metallurgical and mining industries.

Supply of equipment for the food industry including advanced methods of food processing, storage and packaging, including: automated lines for the production of margarine; automatic machinery for the packaging of margarine products; equipment for tea processing and packaging.

- Supply of equipment for the handling of materials in transit, including ship loading and unloading.
- Supply of communications equipment.
- Supply of equipment for the instrumentation industry and equipment for its production.
- Supply of office equipment.
- Supply of ships and marine equipment; shiprepairing.
- Supply of agricultural equipment.
- Supply of electrical equipment.
- Supply of equipment for the tobacco industry, including cigarette making and packaging machinery.
- Supply of equipment for containerized transportation, including trailers and refrigeration equipment.
- Supply of equipment for the railway industry.
- Supply of mechanical handling equipment.
- Supply of processing equipment and technology for the agricultural industry.
- Supply of machinery and equipment for harvesting.

Annex II

SUPPLEMENT TO THE LIST IN THE LONG-TERM PROGRAMME

of possible projects for cooperation in the construction of enterprises in the Soviet Union with full or partial payment for equipment and licences being made by deliveries of the products of those enterprises.

- Supply of machinery, equipment and materials for the exploitation of gas deposits.
- Cooperation in chemical industry projects:
 - for the production of methanol and its products;
 - for the production of glass fibre;
 - for the production of plastics.

Annex III

SUPPLEMENT TO THE LIST IN THE LONG-TERM PROGRAMME

of possible projects for industrial cooperation, including joint production, between Soviet and British organizations and enterprises.

- Cooperation in the automobile industry.
- Cooperation in the joint production of plasma welding equipment.
- Cooperation in developing technological processes connected with the production of packaging materials and with the packaging of consumer goods.
- Cooperation in the production of equipment for the smelting industry.
- Cooperation in the production of razor blades and cutting materials therefor.
- Cooperation in the timber processing and textile industries.

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CSO: 1812/188

GENERAL

NEW FOREIGN TRADE BANK STATUTES PUBLISHED

Moscow FOREIGN TRADE in English No 4, Apr 83 pp 49-55

[Text]

The Bank for Foreign Trade of the USSR (Vneshtorgbank of the USSR) is a commercial bank within the system of credit institutions of the Soviet Union. It is established in the form of a joint-stock company whose shares are owned by the Soviet state, cooperative and other public organizations.

The new Statutes of the Bank approved by Decree No. 500 of the Council of Ministers of the USSR of June 7, 1982, are based on the provisions of the USSR Constitution of 1977 and other legislative acts and decisions of the Government of the USSR pertaining to banking operations.

By the volume of operations and amount of capital, Vneshtorgbank of the USSR is among the world's biggest commercial banks. According to the new Statutes the share capital of the Bank has been increased to 1,000 million rubles. The balance of the Bank amounted to about 50,000 million rubles as of January 1, 1982. With the adoption of the Statutes the number of shareholders was also increased.

New shareholders joined the Bank: a number of foreign trade associations of the Ministry of Foreign Trade, the Main Administration for Foreign Tourism, VAAP (Copyright Agency of the USSR) and Sojuzkoopvnesh-torg.

Complying with the Statutes Vneshtorgbank of the USSR effects on the basis of the USSR state plans for the economic and social development crediting of operations connected with foreign trade and other kinds of external economic activities of the Soviet state, performs foreign exchange operations, international settlements connected with the import and export of goods and the rendering of

services, as well as other settlements and operations corresponding to the objectives of its activities. At present about 1,800 foreign banks in more than a hundred countries are correspondents of Vneshtorgbank of the USSR.

Performing the said functions Vneshtorgbank of the USSR promotes international trade, external economic, scientific, technical and cultural ties, contributes to the consolidation of cooperation of the USSR with foreign countries and to the development and raising of efficiency of social production.

I. General Provisions

1. The Bank for Foreign Trade of the USSR (Vneshtorgbank of the USSR) is a joint-stock company.

On the basis of the USSR state plan for economic and social development Vneshtorgbank of the USSR carries out credit operations connected with foreign trade and other kinds of external economic activities of the Soviet Union, effects foreign exchange operations, international settlements connected with the export and import of goods and the rendering of services as well as other settlements.

In performing the above functions, Vneshtorgbank of the USSR promotes the strengthening of the cooperation between the USSR and foreign countries in the field of foreign trade and other external economic, scientific, technical and cultural ties and the development and raising of efficiency of social production.

Vneshtorgbank of the USSR is domiciled in the city of Moscow, USSR.

2. In carrying out its activities, Vneshtorgbank of the USSR is guided by the laws of the USSR, by other decisions of the Supreme Soviet of the USSR and its Presidium, by the decrees and ordinances of the Council of Ministers of the USSR, by the present Statutes and by the international treaties of the USSR.

3. Vneshtorgbank of the USSR is a juridical person and operates on a commercial basis. Vneshtorgbank of the USSR possesses its own assets; it may acquire in its own name property and personal non-property rights, undertake commitments, sue and be sued in courts of law and arbitration. Vneshtorgbank of the USSR may carry out transactions in the USSR and abroad in accordance with the purposes of its activities.

4. Vneshtorgbank of the USSR is liable for its obligations by its property which under the USSR legislation

may be subject to enforcement.

Vneshtorgbank of the USSR is not liable for the obligations of the State, nor is the State liable for the obligations of the Bank.

Vneshtorgbank of the USSR is not liable for the obligations of the shareholders of the Bank nor are the shareholders liable for the obligations of Vneshtorgbank of the USSR.

5. Vneshtorgbank of the USSR together with all its institutions within the territory of the USSR (all-Union associations, offices, branches, agencies) forms a single centralized system.

The institutions of Vneshtorgbank of the USSR carry out foreign exchange, credit, settlement and other banking operations within the powers granted to them by the Bank and on its behalf.

The organizations established to assist the Bank in its operations are subordinate to Vneshtorgbank of the USSR.

Vneshtorgbank of the USSR may open, in accordance with the established procedure, its branches, agencies and representative offices abroad.

6. Vneshtorgbank of the USSR guarantees safety of money funds and other valuables, received from its clients and correspondents, on deposit accounts, for custody as well as for remittance and transfer.

Money funds and other valuables received by Vneshtorgbank of the USSR on accounts, in demand deposits, for custody as well as for remittances and transfers (before the operation is effected) are to be returned to their owners on the first demand. The procedure of delivery to the owners of money funds and other valuables placed on time deposits is established by Vneshtorgbank of the USSR.

7. Money funds and other valuables of the Soviet organizations placed with Vneshtorgbank of the USSR may be subject to attachment or execution only in the cases and in the manner provided for by the legislation in force.

Money funds and other valuables of foreign and international organizations placed with Vneshtorgbank of the USSR may be subject to attachment or execution only by virtue of judgements of courts of law or awards of arbitration tribunals in the manner established by the legislation in force.

Money funds and other valuables of private individuals placed with Vneshtorgbank of the USSR on accounts and in deposits may be subject to attachment only by virtue of:

rulings of the courts of law and investigating authorities in pending criminal cases as well as in instances specified by law in cases involving the confiscation of property;

rulings of the courts in pending civil cases arising out of criminal cases, actions for alimony (in the absence of earnings or other property on which enforcement can be levied) or for division of a deposit which is the joint property of spouses.

Execution on money funds and other valuables of private individuals can be levied on the basis of a sentence or a judgement of a court in a civil action arising out of a criminal case, or a judgement of a court in an action for alimony (in the absence of earnings or other property which can be levied upon) or for division of a deposit which is the joint property of spouses.

8. Vneshtorgbank of the USSR guarantees the secrecy of operations, accounts and deposits of its clients and correspondents. All persons holding elective offices at Vneshtorgbank of the USSR as well as all its employees are obliged to preserve the secrecy of operations, accounts and deposits of the Bank, its clients and correspondents.

Information on the operations and accounts of juridical persons and other organizations may be furnished to themselves, their superior authorities, courts, arbitration tribunals as well as to financial bodies on the matters of taxation.

Information on the accounts and deposits of private individuals may be furnished, apart from the clients themselves and their representatives, to the courts and investigating authorities in cases where money funds and other valuables of such clients on their accounts and in deposits may be subject to attachment or enforcement.

Information on the accounts and deposits in the event of the death of their owners is furnished to persons named in the testamentary disposition made to the Bank by the owner of the account or deposit, to State notarial offices as well as to foreign consular offices.

9. Vneshtorgbank of the USSR has a round seal with the inscription Банк для внешней торговли СССР. The institutions of Vneshtorgbank of the USSR have seals bearing the same inscription and their own name.

II. Capital, Funds and Shares of Vneshtorgbank of the USSR

10. Vneshtorgbank of the USSR has a share capital, reserve capital, fixed assets fund, amortization fund, banking development fund and other special funds.

11. The share capital amounts to 1,000,000,000 rubles and is divided into 20,000 shares of 50,000 rubles each. The share capital of the Bank is fully paid up.

The share capital may be increased by decision of the General Meeting of Shareholders of Vneshtorgbank of the USSR.

12. The reserve capital is formed by allocations from the net profits of Vneshtorgbank of the USSR in the manner and the amounts determined by the present Statutes.

13. The share capital and reserve capital serve as security for the obligations of Vneshtorgbank of the USSR.

14. The fixed assets fund consists of buildings, structures and other property relating to fixed assets, which belong to Vneshtorgbank of the USSR.

15. The amortization fund is formed and spent in the manner established by the legislation of the USSR.

16. The banking development fund is formed by way of allocations from the net profits of Vneshtorgbank of the USSR and is intended for the financing, within the system of Vneshtorgbank of the USSR and in its subordinate organizations, of measures aimed at introducing new technology, mechanization and automation of banking operations, and modernization of equipment as well as construction works and repairs of buildings and money vaults.

Regulations regarding the banking development fund are approved by Vneshtorgbank of the USSR.

17. Shares of Vneshtorgbank of the USSR may belong only to Soviet state, cooperative or other public organizations.

18. Shares of Vneshtorgbank of the USSR are inscribed and subject to registration in the Shareholders' Register kept by the Board of the Bank.

Transfer of Shares is effected in the manner prescribed by the General Meeting of Shareholders.

The manufacturing of share certificates is subject to the Board's decision.

19. Each share of Vneshtorgbank of the USSR confers on its holder the right of one vote on any question under consideration by the General Meeting of Shareholders and entitles the shareholders to a dividend and a corresponding part of the assets of the Bank in the case of its liquidation.

20. The share capital of Vneshtorgbank of the USSR may be increased by issuing additional shares. The General Meeting of Shareholders determines the number of shares to be issued additionally, the manner of allotment thereof, and the term of payment which can not exceed one year.

III. Operations of Vneshtorgbank of the USSR

21. Under the provisions of international treaties of the USSR, Vneshtorgbank of the USSR concludes with foreign or international banks and other organizations contracts (agreements) on the method of effecting international settlements and maintaining clearing, credit and other accounts.

Vneshtorgbank of the USSR enters into correspondent and other contracts (agreements) with foreign or international banks and other credit institutions on the conditions and manner of effecting international settlements, keeping bank accounts, on granting and receiving credits and carrying out transactions provided for in the present Statutes.

22. Vneshtorgbank of the USSR receives funds in Soviet and foreign currencies on accounts and in deposits from Soviet, foreign or international banks and other organizations as well as from private individuals, places funds to accounts and in deposits with Soviet, foreign or international banks and other credit institutions.

The conditions of opening accounts and deposits in foreign currency with Vneshtorgbank of the USSR as well as the procedure for the disposal of funds in Soviet and foreign currencies on accounts and in deposits with the Bank are determined by the Ministry of Finance of the USSR.

The procedure for the disposal of funds on correspondent accounts of Soviet, foreign or international banks with Vneshtorgbank of the USSR, for opening and keeping such accounts as well as the conditions for placing funds in Soviet and foreign currencies in deposits with the Bank by order of correspondent banks are established by Vneshtorgbank of the USSR, on the basis of contracts (agreements) concluded with these banks.

23. Vneshtorgbank of the USSR may compute and pay interest on accounts and deposits with the Bank.

The ranks of interest rates for accounts and deposits in Soviet currency of Soviet organizations and private individuals are established by the Council of Ministers of the USSR. The ranks of interest rates for accounts and deposits in foreign currencies as well as on accounts and deposits in Soviet currency of foreign or international banks and other organizations and foreign private individuals are established by Vneshtorgbank of the USSR.

The procedure of computation and payment of interest for the above accounts and deposits is determined by Vneshtorgbank of the USSR.

24. Owners of accounts and deposits may give an order in the manner established by Vneshtorgbank of the USSR to deliver, in the event of their death, the funds on their accounts or in deposits to any person as well as the State or any particular state, cooperative or other public organization.

Funds on account or in deposit for which no testamentary disposition has been made in the event of their owner's death are delivered by Vneshtorgbank of the USSR to the heirs in the manner established by the legislation of the USSR.

25. Vneshtorgbank of the USSR buys and sells payment documents in Soviet currency and also effects other transactions and banking operations with these documents.

In accordance with the present Statutes and by virtue of the powers conferred on it by the State Bank of the USSR, Vneshtorgbank of the USSR buys from and sells to organizations and private individuals on the territory of the USSR foreign currencies (bank notes, treasury notes, coins), payment documents (cheques, bills of exchange, letters of credit, etc.) in foreign currencies and other exchange valuables, and carries out other transactions and banking operations with exchange valuables.

Vneshtorgbank of the USSR, in accordance with the established procedure, sells foreign currency to Soviet, foreign and international organizations and private individuals for the purpose of its transfer abroad.

Foreign currency buying and selling operations are effected by Vneshtorgbank of the USSR at the exchange rate of the State Bank of the USSR.

26. Vneshtorgbank of the USSR performs purchase and sale of foreign currencies and other foreign exchange operations abroad in accordance with the international banking practice.

27. Vneshtorgbank of the USSR in accordance with the established procedure buys and sells, in the USSR and abroad, gold, silver, platinum and other precious metals, natural precious stones as well as articles made of precious metals and precious stones and effects other transactions and banking operations with these valuables.

28. Vneshtorgbank of the USSR subject to the consent of the State Bank of the USSR issues travellers' cheques and other banking payment instruments in the Soviet and foreign currencies and establishes the procedure for carrying out operations with such instruments.

29. Vneshtorgbank of the USSR may receive from and grant to foreign and international banks and other organizations credits and loans in the forms used in international banking practice, as well as furnish security for credits and loans received, in the form of promissory notes, bills of exchange, bonds and other money obligations of the Bank.

30. In accordance with international treaties of the USSR or by virtue of the powers conferred on it by the State Bank of the USSR, Vneshtorgbank of the USSR keeps records of state credits and loans both granted and received by the Soviet Union to and from foreign states and effects international settlements under such credits and loans.

31. In accordance with credit plans, Vneshtorgbank of the USSR, by way of direct, tied (for special purpose), fixed-term and repayable crediting grants credits (loans) to Soviet foreign trade and other organizations for operations connected with foreign trade and other kinds of external economic activities of the USSR.

Vneshtorgbank of the USSR grants credits for a period of up to twelve months, depending on the terms and conditions of transactions financed. Credits for a longer term may be granted in cases provided for by the legislation of the USSR.

Vneshtorgbank of the USSR may grant in accordance with the established procedure credits to Soviet organizations in foreign currencies.

The forms of credits and the method of their granting and repayment are established by Vneshtorgbank of the USSR.

32. For credits in Soviet and foreign currencies received from Vneshtorgbank of the USSR the borrowers pay to the Bank interest at established rates.

The ranks of interest rates for credits in Soviet currency granted by Vneshtorgbank of the USSR to Soviet organizations are determined by the legislation of the USSR.

The ranks of interest rates for credits in foreign currencies and credits in the Soviet currency granted by Vneshtorgbank of the USSR to foreign or international banks and other organizations, are established by Vneshtorgbank of the USSR.

33. Vneshtorgbank of the USSR grants credits in the Soviet and foreign currencies, subject to receipt from the borrower of the appropriate security for due repayment of the credit in the form of a pledge, guarantee, surety or in other forms in accordance with the legislation of the USSR and international banking practice.

34. Vneshtorgbank of the USSR receives in pledge, as security for credits granted, unpledged exported and imported goods and other commodity and material valuables, promissory notes, bills of exchange and documents of title, precious metals, foreign currencies, securities and other money obligations in Soviet and foreign currencies.

Vneshtorgbank of the USSR takes as security for discount promissory notes, bills of exchange and other money obligations in foreign trade operations provided they are based on commercial transactions.

The manner of pledging commodity, material and other valuables with Vneshtorgbank of the USSR is established by the Bank.

Commodity and material valuables kept abroad as security for credits of Vneshtorgbank of the USSR in foreign trade and other transactions are to be insured for the client's account.

35. Vneshtorgbank of the USSR carries out banking operations for international settlements of the USSR of both commercial and non-commercial nature. International settlements are effected by the Bank in the form of letters of credit, collections, transfers and in other forms used in international banking practice. The method of carrying out such operations is established by Vneshtorgbank of the USSR.

36. Vneshtorgbank of the USSR may secure, in money form, the fulfilment of commitments of Soviet, foreign or international organizations deriving from foreign trade and other transactions, by means of surety, guarantee, aval for promissory notes and bills of exchange and other kinds of security used in international banking practice.

The above operations are carried out by order and for account of Soviet, foreign and international organizations (on condition they provide due security) in the manner established by Vneshtorgbank of the USSR.

37. Vneshtorgbank of the USSR may undertake commitments by making promissory notes and accepting bills of exchange, effect the discounting and purchasing of promissory notes and bills of exchange and perform other operations with promissory notes and bills of exchange.

38. Vneshtorgbank of the USSR accepts for custody and on commission foreign currencies, precious metals, exchange and other valuables.

39. Settlements between Soviet organizations connected with foreign trade and other kinds of external economic activities of the USSR as well as on other grounds are effected by Vneshtorgbank of the USSR in forms established by the State Bank of the USSR.

40. Vneshtorgbank of the USSR renders cashier services to its clients.

41. Vneshtorgbank of the USSR may receive any kind of property under wills and act as executor of a will in respect of hereditary property left for the socially useful purposes.

42. Vneshtorgbank of the USSR may in accordance with established procedure acquire, alienate and lease or rent plots of land, buildings and structures abroad, including office and dwelling premises necessary for its branches, agencies and representative offices.

43. Vneshtorgbank of the USSR may, in accordance with the established procedure, be a founder or participant of banking and other companies and associations domiciled both in the USSR or abroad, whose activities are consistent with the purposes of the Bank.

IV. Rights of Vneshtorgbank of the USSR

44. To ensure the conduct of its operations and to perform the functions conferred on it, Vneshtorgbank of the USSR is entitled to:

a) issue subject to and in pursuance of the effective legislation and within its competence, instructions and other regulations obligatory for its clients;

b) obtain from Soviet foreign trade and other organizations having accounts with Vneshtorgbank of the USSR accounting reports and balance sheets with appropriate appendices thereto, financial plans as well as information on the availability, receipt and realization of commodity and material valuables under credit arrangements, and other data necessary for crediting and settlements;

v) carry out auditing of money and payment documents, accounting books, statements and operational and statistical materials of foreign trade and other Soviet organizations having accounts with Vneshtorgbank of the USSR;

r) check whether credits granted by Vneshtorgbank of the USSR are utilized for the purposes specified, check the availability, conditions of safekeeping and safety of commodity and material valuables serving as security for the Bank's credits.

45. With regard to debtors, failing to honour their commitments to Vneshtorgbank of the USSR and making default under credit or payment discipline or breaking terms and conditions of credit agreements, Vneshtorgbank of the USSR is entitled to:

a) suspend credits, fully or partially, with the exception of cases specified by the legislation of the USSR;

6) recover credits prior to maturity in the event of the indebtedness becoming unsecured, the utilization of credits for purposes other than those specified or violation of the established rules of crediting, the sale or utilization of pledged valuables without applying the proceeds to repay the indebtedness to Vneshtorgbank of the USSR, unsatisfactory storage of commodity and material valuables serving as security for the Bank's credits, evasion from banking control and in the event of termination of the financing of the respective organization;

b) apply other measures of credit influence provided for by the legislation in force and credit agreements.

46. In the event of the claims of Vneshtorgbank of the USSR, arising out of due or overdue payments, and also in connection with recovery, prior to maturity, of credits granted to Soviet organizations, Vneshtorgbank of the USSR effects recovery through non-contentious procedure on the basis of fixed-term obligations, obligations due at sight or credit agreements, and in the cases of special loan accounts—on the basis of obligation statements.

In the event of long overdue (more than 60 days) indebtedness under credits secured by a pledge of commodity and material valuables, Vneshtorgbank of the USSR is entitled to apply the proceeds from the sale of these valuables directly for recovery of the indebtedness after settling claims in respect of wages and payments to the budget.

In the absence of funds on the account of the debtor, execution may be also directed to unpledged commodity and material valuables belonging to the debtor with the exception of fixed assets and other property from which in accordance with the legislation in force execution cannot be made.

Sale of the debtor's unpledged property is effected through an executor: in the event of recovery of an overdue debt—by virtue of the notarial inscription of execution; in the event of recovery of indebtedness prior to maturity—by virtue of a writ of execution issued under a court decision or by virtue of an order of arbitration authorities.

47. All money funds and other valuables owed to the debtor by Vneshtorgbank of the USSR on any ground (except for valuables kept in safes leased from the Bank or given to the Bank for custody in premises or envelopes sealed by the client) may be used in full or partial recovery of its indebtedness to Vneshtorgbank of the USSR.

Vneshtorgbank of the USSR may exercise the right of set off by covering the indebtedness which has not yet fallen due, if the debtor organization has been ordered to wind up its business or has stopped payments under its obligations, and also in cases Vneshtorgbank of the USSR has the right to recover loans prior to maturity or to recover funds due thereto on other grounds.

V. The Management of Vneshtorgbank of the USSR

48. The management bodies of Vneshtorgbank of the USSR are the General Meeting of Shareholders, the Council and the Board.

There is an Auditing Commission functioning at Vneshtorgbank of the USSR.

The General Meeting of Shareholders

49. The supreme management body of Vneshtorgbank of the USSR is the General Meeting of Shareholders. Sessions of the General Meeting of Shareholders are ordinary or extraordinary.

Ordinary sessions of the General Meeting of Shareholders are convened by the Board of Vneshtorgbank of the USSR at least once a year.

To resolve urgent questions arising in the course of the activities of Vneshtorgbank of the USSR falling beyond the competence of the Board and the Council, extraordinary sessions of the General Meeting of Shareholders are convened by the Board with the consent of the Council or by a motion of the Council or the Auditing Commission or by an application of shareholders representing at least one-twentieth of the share capital of the Bank.

50. The shareholders of Vneshtorgbank of the USSR are notified in writing of a session of the General Meeting of Shareholders at least two weeks prior to the day of the beginning of the session. Items to be considered at the General Meeting are specified in the notice.

51. The General Meeting of Shareholders of Vneshtorgbank of the USSR is competent to:

a) elect Chairman, Deputy Chairmen and Members of the Council and the Board of the Bank, the Chairman and members of the Auditing Commission as well as relieve them of their duties prior to the end of the term;

б) approve the annual report and balance sheet of the Bank as well as distribute its profits;

в) consider amendments of and additions to the Statutes of Vneshtorgbank of the USSR;

г) decide on increasing the share capital of the Bank;

д) approve the reports of the Auditing Commission;

е) decide on the question of terminating the activities of Vneshtorgbank of the USSR.

Other major activities of Vneshtorgbank of the USSR may also be brought forward at the General Meeting of Shareholders on the initiative of the Council or the Board.

52. Representatives of the shareholders of Vneshtorgbank of the USSR participate in sessions of the General Meetings of Shareholders on their behalf, acting on the basis of powers of attorney. The heads of organizations which hold shares of the Bank participate in sessions of the General Meeting of Shareholders without powers of attorney.

53. The General Meeting of Shareholders is entitled to decide on matters brought forward for its consideration if the General Meeting session is attended by shareholders possessing not less than half of the shares of Vneshtorgbank of the USSR. Resolutions of the General Meeting of Shareholders are passed by a majority of votes, which is determined on the basis of the amount of shares belonging to the Bank's shareholders attending the session.

Resolutions relating to amendments of and addition to the Statutes of Vneshtorgbank of the USSR and termination of its activities may be passed by a majority of votes of the shareholders owning not less than two-thirds of the shares of the Bank.

54. The sessions of the General Meeting of Shareholders is presided over by one of the representatives of the shareholders elected after the opening of the session and prior to the consideration of other matters. Prior to the election of the Chairman of the General Meeting of Shareholders the session is opened and conducted by the Chairman of the Council of Vneshtorgbank of the USSR or his Deputy.

55. Members of the Council, the Board and the Auditing Commission of Vneshtorgbank of the USSR are elected by the General Meeting of Shareholders in the manner established by the latter.

Questions of relieving members of the Council, the Board and the Auditing Commission of their duties prior to the end of term are discussed by the General Meeting of Shareholders only if the proposal is made by shareholders possessing not less than one-third of the shares of the Bank.

The Council

56. The Council of Vneshtorgbank of the USSR is constituted to provide general guidance for the activities of Vneshtorgbank of the USSR, and to supervise and control the work of the Board.

The Council consists of 21 members elected by the General Meeting of Shareholders from among the representatives of the Bank's shareholders for a term of five years.

The General Meeting of Shareholders elects from among the members of the Bank's Council the Chairman and two Deputy Chairmen.

57. In the event that a member of the Council leaves or is relieved of his duties by the decision of the General Meeting of Shareholders prior to the end of term for which he was elected, the General Meeting of Shareholders elects in his place a new member of the Council for the remaining period of the term of the Council.

58. The Council is convened by its Chairman at least once a year.

59. The Council is entitled to decide on the matters brought forward for its consideration only if the meeting of the Council is attended by not less than one half of the members of the Council. Resolutions of the Council are passed by a majority of votes. In the event of a tie the Chairman of the Council has the casting vote.

60. The Council of Vneshtorgbank of the USSR:

a) designates the general directions of activities of Vneshtorgbank of the USSR with regard to the organization of credit, settlement and foreign exchange relations and the establishment of business relations of the Bank with foreign or international banks and other organizations, and also coordinates the activities of the Bank with those of other Soviet organizations;

б) considers the drafts of long-term and annual credit and other plans of Vneshtorgbank of the USSR and makes the relevant decisions, and approves the Bank's revenue, expenditure and profit plans;

в) preliminarily considers all questions to be brought forward for discussion at the General Meeting of Shareholders;

г) considers general matters relating to the activities of the Bank's institutions and resolves according to prescribed procedure questions relative to the opening and closing of branches, agencies and representative offices of the Bank abroad;

д) makes decisions on the establishment of special funds of Vneshtorgbank of the USSR, determines the manner of their formation and utilization;

е) receives reports on the activity of the Board;

ж) considers other matters brought forward for discussion at the Council on the initiative of the Board.

The Board

61. The Board of Vneshtorgbank of the USSR effects management of the Bank's activities and is responsible for the fulfilment of the tasks assigned to Vneshtorgbank of the USSR.

62. The Board consists of the Chairman of the Board, First Deputy Chairman, Deputy Chairmen and other members of the Board elected by the General Meeting of Shareholders for the term of five years.

63. In the event that a member of the Board leaves or is relieved of his duties by decision of the General Meeting of Shareholders before the end of the term for which he was elected, the General Meeting of Shareholders elects in his place a new member of the Board for the remaining period of the term of the powers of the Board.

64. The Board of Vneshtorgbank of the USSR at its regular meetings considers:

a) all matters which, under the present Statutes, are subject to consideration or resolution by the General Meeting of Shareholders or the Council, and prepares appropriate materials and proposals on them;

6) matters relating to management of the work of the structural subdivisions of the Head Office and institutions of Vneshtorgbank of the USSR, as well as of organizations subordinate to it;

в) questions of crediting the operations relating to foreign trade and other kinds of external economic activities of the USSR, international settlements and foreign exchange operations, conclusion of interbank contracts (agreements); accounting, reporting, internal banking control and other major aspects of the Bank's activities;

г) questions of controlling compliance with the legislation in force by the Bank's institutions and organizations subordinate to it;

д) drafts of the most important orders, instructions, and other regulations of Vneshtorgbank of the USSR;

е) questions of personnel selection, training and placement;

ж) general conditions and procedure of issue by Vneshtorgbank of the USSR of guarantees, indemnities, sureties and other money obligations and of taking for discount and as security of promissory notes and bills of exchange and other obligations relating to foreign trade operations;

з) the procedure of signing payment and settlement documents and correspondence on behalf of Vneshtorgbank of the USSR;

и) draft regulations regarding structural subdivisions of the Head Office of Vneshtorgbank of the USSR and of the Bank's institutions and organizations subordinate to it;

к) reports on the work of structural subdivisions of the Head Office and institutions of Vneshtorgbank of the USSR and of organizations subordinate to it;

л) other matters brought forward for the Board's consideration by the decision of the Chairman of the Board.

65. The Board of Vneshtorgbank of the USSR is entitled to decide the matters brought forward for its consideration if not less than one half of the members of the Board attend the meeting of the Board. Resolutions of the Board are adopted by a majority of votes. In the event of a tie the Chairman of the Board has a casting vote. In the event of disagreement with the resolution adopted by the Board, members of the Board may notify the Council or the General Meeting of Shareholders of their opinion.

Resolutions of the Board are implemented, as a rule, by orders of the Chairman of the Board.

66. The Chairman of the Board effects management of the activities of the Board, is personally responsible for the fulfilment of the tasks set before Vneshtorgbank of the USSR, distributes responsibilities among Deputy Chairmen of the Board, defines the extent of responsibilities of his Deputies and heads of structural subdivisions of the Head Office of Vneshtorgbank of the USSR for the state of affairs within the scope of the work assigned to them.

67. The Chairman of the Board of Vneshtorgbank of the USSR:

a) issues orders, instructions and other regulations on matters falling within the competence of Vneshtorgbank of the USSR under and in pursuance of the laws of the USSR, other decisions of the Supreme Soviet of the USSR and its Presidium, decrees and ordinances of the Council of Ministers of the USSR and the present Statutes;

б) disposes in accordance with the legislation in force of the property and funds of Vneshtorgbank of the USSR, represents the Bank in all organizations both in the USSR and abroad, issues powers of attorney, establishes the procedure for signing agreements, other transactions and obligations and for the issue of powers of attorney on behalf of the Bank;

в) submits to the Council for consideration draft long-term and annual credit and other plans of Vneshtorgbank of the USSR, and the Bank's revenue, expenditure and profit plans for approval;

г) establishes, reorganizes and liquidates institutions of the Bank and organizations subordinate to it in the territory of the USSR;

д) approves the staff-table of the Head Office of Vneshtorgbank of the USSR as well as the standard structures and standard staff-tables of the Bank's institutions and organizations subordinate to it;

е) establishes the number of personnel and salary funds for the institutions of Vneshtorgbank of the USSR and organizations subordinate to it within the labour plan;

ж) approves the rates of commission fee for the execution by Vneshtorgbank of the USSR of orders of foreign banks and clients, rates of interest rates for accounts and deposits in foreign currencies and for accounts and deposits in Soviet currency of foreign or international banks and other organizations and foreign private individuals;

з) appoints officials of Vneshtorgbank of the USSR according to established nomenclature and discharges them, establishes, in accordance with the legislation in force, rates of salaries, rewards employees for distinguished service, takes disciplinary actions;

и) approves regulations on structural subdivisions of the Head Office of Vneshtorgbank of the USSR and of the Bank's institutions and organizations subordinate to it;

к) decides on making claims and suits on behalf of Vneshtorgbank of the USSR to organizations and private individuals both in the USSR and abroad;

л) grants if necessary at the request of foreign trade or other Soviet organizations deferments of up to six months for repayment of credits granted in connection with export, import or other operations and secured by commodity and material valuables, documents of title, money obligations, exchange or other valuables.

68. The Chairman of the Board may delegate the resolving of individual questions within his competence to the heads of structural subdivisions of the Head Office of Vneshtorgbank of the USSR and of the Bank's institutions and organizations subordinate to it.

The Auditing Commission

69. For verification of the annual report of the Board, cash and property of Vneshtorgbank of the USSR and also for auditing the bookkeeping, accounting and business correspondence of the Bank, the General Meeting of Shareholders elects for a term of 5 years an Auditing Commission consisting of the Chairman of the Auditing Commission and four members.

Neither the members of the Council or of the Board nor persons holding any office at Vneshtorgbank of the USSR may be elected members of the Auditing Commission.

70. The Auditing Commission submits an annual report for approval to the General Meeting of Shareholders.

71. The Board ensures submission to the Auditing Commission of all the materials necessary for carrying out its audit.

VI. Distribution of the Profits of Vneshtorgbank of the USSR

72. After making payments to the Union Budget provided for by the legislation in force, not less than 50 per cent of the net annual profit of Vneshtorgbank of the USSR is allocated to the reserve capital and, at prescribed rates, to the banking development fund and other special funds of the Bank. The balance of the net profits of Vneshtorgbank of the USSR is distributed at the discretion of the General Meeting of Shareholders.

VII. Accounting and Reporting of Vneshtorgbank of the USSR

73. Settlement, credit and cashier operations of Vneshtorgbank of the USSR are recorded on settlement, current, loan and other accounts. The rules of bookkeeping and document movement at Vneshtorgbank of the USSR and its institutions are established by the Bank.

74. The operational year of Vneshtorgbank of the USSR runs from January 1 to December 31 inclusive.

75. Annual balance-sheets of Vneshtorgbank of the USSR approved by the General Meeting of Shareholders are published in accordance with the established procedure.

76. Bad (unrecoverable) debts, shortages and losses of commodity and material valuables belonging to Vneshtorgbank of the USSR, morally obsolete, worn out or unusable equipment and means of transport, as well as expenditures on suspended and unrealized capital construction projects may be written off the balance of Vneshtorgbank of the USSR by permission of the Chairman of the Board of Vneshtorgbank of the USSR, unless other procedure is provided for by the legislation of the USSR.

VIII. Termination of the Activities of Vneshtorgbank of the USSR

77. The activities of Vneshtorgbank of the USSR are terminated in the manner and in the cases specified by the legislation of the USSR.

Errata

N° 2, 1983:

1. The third line of the third para from the top, left column, page 2 should read: will be 58 per cent.
2. The third line from the top, middle column, page 9 should read: countries are realized through 150.

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